



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

FEB 27 2003

In reply refer to: DR-7C

The Honorable Maria Cantwell  
U.S. Senate  
Washington, D.C. 20510

Dear Senator Cantwell:

This is in response to your letter to myself and Mr. Larry Cassidy, former Chairman of the Northwest Power and Conservation Council (Council), regarding the Council's recommendations on the future role of Bonneville Power Administration (BPA) in regional energy supply after 2006.

As you may know, BPA has opted for a more deliberate schedule for the post-2006 Regional Dialogue over the next few months. Right now, BPA's financial health must be our top priority – not only from the standpoint of the rate case we have just initiated, but also as it concerns our cost structure post-2006.

Be assured, though, that throughout this process BPA remains committed to our public purposes mission. I have enclosed, for your information, the principles and purposes we have specified for our post-2006 role. As you can see, conservation and renewables development and fish and wildlife recovery remain high on the list of the benefits of the Federal Columbia River Power System (FCRPS) that BPA seeks to preserve.

Our goal is still to develop long-term contracts and clarify our load serving obligations well before October 2006. Once our rate case is completed, we will proceed to consult with customers and stakeholders to develop BPA's post-2006 proposal. We plan to release a draft proposal in late summer. I will be consulting with you as we develop any ideas and I certainly commit to consult with you before any decisions are made.

The outcome of this process will affect all Northwest citizens and businesses. The involvement and leadership of our Northwest Congressional delegation will help lead to a durable solution, one that is in compliance with existing law and policy, and one that preserves the benefits of the FCRPS and BPA's public benefits for the region.

If you have other questions or concerns, please feel free to contact myself or Jeff Stier in our Washington, D.C., and office at 202-586-5640.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright". The signature is stylized with a large, sweeping "S" and a distinct "W".

Stephen J. Wright  
Administrator and Chief Executive Officer

Enclosure  
Attachment

cc:  
Identical letter sent to those on the attached list

The Honorable Patty Murray  
U.S. Senate  
Washington, D.C. 20510

The Honorable Ron Wyden  
U.S. Senate  
Washington, D.C. 20510

The Honorable Jim McDermott  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Doc Hastings  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable George Nethercutt, Jr.  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Brian Baird  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Adam Smith  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Norm Dicks  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Peter DeFazio  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Jennifer Dunn  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Earl Blumenauer  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Jay Inslee  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Rick Larsen  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Darlene Hooley  
U.S. House of Representatives  
Washington, D.C. 20515

**BPA's Revised Principles and Purposes Regarding  
BPA's Power Supply Role after 2006  
Redlined Version 12/16/02**

- I Preserve or enhance long-term and diverse benefits of the FCRPS for the region, including:**
  - Provide low-cost, cost-based power that is below the marginal cost of new resources.
  - Maintain reliability of regional power and transmission systems
  - Support development of conservation and renewable resources, and related R&D
  - Mitigate, protect and enhance fish and wildlife resources to satisfy BPA's obligations.
  - Share benefits and risks with residential and small farm consumers of investor-owned utilities.
  - Conduct open, participatory public policy decision-making processes.
- II Policy outcomes must be enduring under a broad range of political, economic, financial, power market and power system conditions.**
  - Above some base level, the level and extent of public benefits spending must be directly tied to BPA's financial health.
  - Any cost deferrals out of the 2002 – 2006 rate period must be paid off no later than 2011.
- III There should be no additional risks for U.S. taxpayers/Treasury.**
- IV Approaches or policy options should not require legislative changes and should minimize legal risks.**
- V Create a common interest between BPA's customers and other stakeholders to secure the FCRPS benefits and fulfill the related responsibilities on a long-term basis.**
- VI Provide clarity regarding BPA load obligations post-2006.**



**DRAFT; 12/03/02**

## **BPA's Purposes for Regional Dialogue**

(Why we are doing this now)

1. Infrastructure investment decisions are being delayed by uncertainty about how much power BPA will sell to customers. So it is important to determine BPA's long-term obligation to serve load beginning on October 1, 2006, to facilitate timely infrastructure decisions by BPA, its customers, resource developers and others.
2. There is ongoing litigation over the IOU residential exchange settlement adopted in Subscription. Ongoing conflict over this issue threatens the region's long-term access to federal system benefits. Developing a sustainable approach to providing residential and small farm consumers of investor-owned utilities with long-term benefits from the FCRPS beginning October 1, 2006 will help resolve this conflict.
3. DSIs have a need for clarity about their access to federal system benefits, so that they can make investment decisions in their Northwest facilities. So it is important to determine federal power and related benefits available to DSIs beginning October 1, 2006.

# Congress of the United States

Washington, DC 20515

RECEIVED BY: [illegible]
DATE: 03.0004
RELEASE DATE: 1.13.03
DATE: 1.27.03

January 10, 2003

Steve Wright  
Administrator  
Bonneville Power Administration  
905 NE 11th Avenue  
Portland, Oregon 97232

Larry Cassidy  
Chairman  
Northwest Power Planning Council  
851 SW Sixth Avenue, Suite 1100  
Portland, Oregon 97204-1348

Dear Steve and Larry,

We write regarding the Northwest Power Planning Council's Recommendations on the Bonneville Power Administration's role in regional energy supply after 2006. As you know, we are encouraged by the efforts of a number of BPA customer representatives to reach consensus on the many thorny issues this topic raises. In addition, we hope that as BPA begins to formulate its own post-2006 proposal, you will keep in mind a number of our key concerns.

We have closely followed the progress of discussions aimed at locking up for 20 years the benefits of the Federal Columbia River Power System (FCRPS) in a manner that will benefit all sectors of the Northwest economy, including residential, commercial and industrial consumers. We must ensure that any such contractual arrangements are legally and practically sustainable across variable market conditions, and will not result in harmful or unintended consequences for Northwest utilities, industries and ratepayers. Temporary solutions that are not durable across a range of circumstances will only serve to undermine the very same certainty this dialogue was designed to provide for the Northwest energy industry and its customers.

Without prejudging the benefits of allowing certain entities to assume responsibility for meeting their own load growth, we also believe that any changes in BPA's relationship to its traditional customers must not jeopardize the region's ability to fulfill its long-standing stewardship obligations. These include investments in energy efficiency, renewable energy development, low-income energy services and fish and wildlife protection and restoration. It is important that any such modification meet legal obligations to recover endangered salmon and retain the ability to fully implement the salmon recovery plan, and possible future modifications to the Plan.

The Northwest's economic and environmental future depends on development and deployment of clean energy technologies, diversifying our resource base and capturing all the benefits that result from making our energy system as efficient as possible. Investment in these areas will not only help meet the growing demand for electricity in our region and take pressure off the FCRPS, but it is a key to job creation within the Northwest's burgeoning energy technology and renewable energy industries.

ASSIGN: DR-7C  
cc: FO3, DC/Wash, DR-7, P-6,  
KE-4, KEW-4

Page 2

January 10, 2003

We believe that BPA must continue in its role as an engine for innovation and economic development when it comes to investment in cost-effective efficiency and renewable energy. A sustained region-wide commitment to these initiatives will ultimately improve reliability, lower costs to consumers, provide cleaner air to the public and enhance our environmental quality, while simultaneously positioning the Northwest for economic growth.

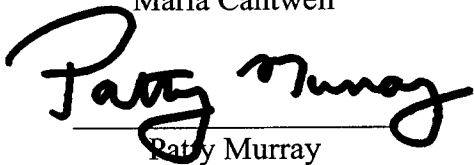
As you continue in the effort to preserve and enhance the benefits of the FCRPS, a meaningful public participation process must also be a critical component of your work. Citizens of the Northwest should be apprised of what's at stake and fully included as BPA, the Council and other stakeholders endeavor to make critical decisions about the future of our energy system.

We look forward to continuing to work with you and your staff on this important matter.

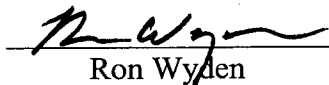
Sincerely,



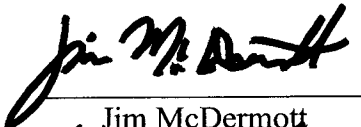
Maria Cantwell



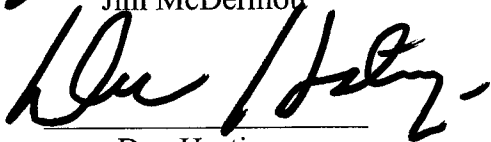
Patty Murray



Ron Wyden



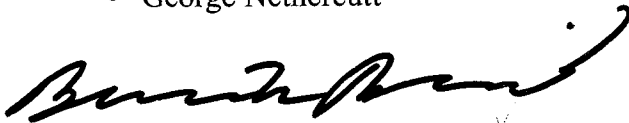
Jim McDermott



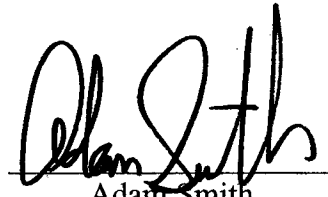
Doc Hastings



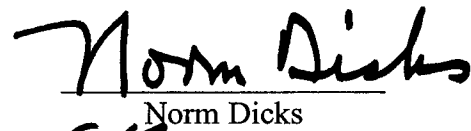
George Nethercutt



Brian Baird



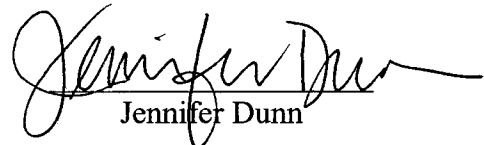
Adam Smith



Norm Dicks



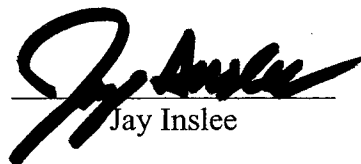
Peter DeFazio



Jennifer Dunn



Earl Blumenauer



Jay Inslee



Rick Larsen

Page 3

January 10, 2003

  
Darlene Hooley



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

March 28, 2003

In reply refer to: DR-7C

Honorable Maria Cantwell  
U.S. Senate  
Washington, D.C. 20510

Dear Senator Cantwell:

Thank you for your letter concerning Bonneville Power Administration's (Bonneville) financial future and the Safety Net Cost Recovery Adjustment Clause (SN CRAC). I appreciate your offer of support in bringing all parties to the table to help identify additional savings and mitigate any rate increase.

Be assured that I share your concern about impacts to the Northwest economy from further rate increases. As I stated when we initiated the SN CRAC process, it is our goal to aggressively work with regional stakeholders to achieve actions, which can minimize or even eliminate any rate increase.

Over the past month, we held three meetings with Rate Case participants. While we did not reach agreement that would halt the SN CRAC process, we are proposing an alternative approach designed to limit any rate increase. In order for this effort to be successful, it will take a concerted effort on the part of many regional stakeholders. This alternative is described in the attached letter to customers and other interested parties.

I believe this approach, which seeks to pursue creative cost control, is consistent with your request.

Again, I thank you for your support and commit that we will keep you informed as we move forward.

Sincerely,

A handwritten signature in cursive script, reading "Stephen J. Wright", is positioned above the typed name.

Stephen J. Wright  
Administrator and Chief Executive Officer

Attachment(s)



## **Department of Energy**

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

March 26, 2003

In reply refer to: P-6

Dear Customers and Other Interested Parties:

The Bonneville Power Administration (BPA) held three public meetings over the past month where we discussed the causes of our current financial condition and alternative solutions. At the last meeting, BPA suggested a way forward that we believe has real promise to meet the needs expressed by customers and others who attended these meetings. It particularly addresses the importance of minimizing any rate increase in the face of our weakened regional economy. Unfortunately, the fact that we said "no" to the recommendation that we halt the Safety Net Cost Recovery Adjustment Clause (SN CRAC) process seems to have overshadowed the fact that we also suggested an alternative way forward. While our approach would be the subject of the SN CRAC process, I want to describe this alternative more fully so it can be better understood.

But first, I want to summarize some of the major messages we heard at these meetings. We heard that utilities, industries and individual ratepayers are reeling from rate increases and can't handle more. We were told that the economic situation is so bad that BPA should not count on getting more total revenue if it raises rates, because of the ultimate rate effects on retail loads. We heard that BPA should stop the current SN CRAC process and focus on reducing costs.

We heard that any SN CRAC should be year-by-year, not multi-year. We heard strong opposition to a rate increase in 2004 that is driven by BPA's concerns about possible financial results in 2005 and 2006. We were advised that the region cannot afford to have BPA seek to fully meet historical financial standards in these extraordinary times. We heard that a significant problem with the SN CRAC proposal is the belief that it takes the pressure off BPA to reduce costs, because BPA gets an automatic source of revenue to cover higher costs. We heard that BPA must focus heavily on further cost reductions, including its own internal costs as well as all the other costs reflected in power rates.

We also heard from environmental advocates and tribal representatives that expenditures for necessary fish and wildlife mitigation measures should not be cut but instead should be stabilized, and that BPA should comply with the Fish Funding Principles. We heard concerns that BPA should continue to pay Treasury so that we preserve the long-term benefits of the system for the Pacific Northwest.

The problems with a further rate increase have been made clear to us. It is also clear that capturing as much as reasonably possible of the \$754 million in cost reductions and revenue improvements described by customers would help to minimize the need for rate increases. We have been working for months to achieve these cuts and revenue improvements, and we promise to continue to work diligently – both internally and with all other parties – to pursue them. We are getting closer on some reductions, but they are not “in the bag” yet.

We clearly heard the request to halt the SN CRAC process now, in order to focus exclusively on achieving cost reductions. However, as we said at these meetings, we remain concerned that postponement of the SN CRAC process is financially perilous for BPA in FY2004 because of the current lack of certainty about several key opportunities for cost reductions, most of which are not in BPA’s sole control. Consequently, if these cost reductions or revenue enhancements do not materialize, BPA and the region would be confronting a substantially higher rate increase proposal next year than the one we are proposing now. Even with a much higher rate increase, we could still face a significant risk of missing next year’s Treasury payment. These concerns are detailed in Attachment #2.

For this and other reasons, we suggested at the last meeting that there is another way of assuring that cost reductions could result in a substantially reduced effective rate increase, or possibly no effective rate increase in 2004 if we have good luck on water conditions and market prices. We remain open to this and other proposals on the rate case, but I want to clarify the four-point approach we suggested at the March 14 meeting:

1. A variable and contingent rate mechanism could achieve the most important goal of the customer proposal: a significant reduction in any rate increase in October if major cost reductions can be achieved, and possibly no rate increase if cost reductions are coupled with the actual realization of good water conditions and favorable market prices.
2. We could use a TPP standard that is lower than we have historically used, as incorporated in the initial SN CRAC proposal. The determination of the final TPP standard will be part of the SN CRAC process.
3. We could use a rate mechanism that would keep pressure on BPA costs by precluding BPA from recovering any excess controllable internal operating costs in the SN CRAC, if those costs exceed further reduced limits for 2003-2006.
4. Most importantly, we would redouble our efforts to capture prudent cost reductions, both in those internal costs that we control and in working with our generation partners, regional utilities, and others to bring down the costs we don’t directly control. As a part of this, we will create an opportunity for customers and other stakeholders to review and comment on the trade-offs of borrowing, deferring expenses, and additional cost reductions in a manner that can impact final rate levels.

Here's how the approach could work if it were pursued.

First, in the formal SN CRAC process, parties could work on a rate design that would produce a rate that depends on actual financial results in 2003, as already included in the initial staff proposal. We could also look forward and adjust the 2004 rate to capture those additional cost reductions for 2004-2006 that are secured by this August. We believe that this variable and contingent rate design approach could allow for the lowest possible rate while still ensuring a sufficiently high probability of payment to Treasury. The variable approach to the SN CRAC also appears to respond to the strong customer objection to a rate increase in 2004 that is driven by forecasts of financial performance in 2005 and 2006.

The forward-looking contingent aspect of this approach could make the proposed 2004 rates lower if, for example, the investor-owned utilities agree to restructure the BPA financial benefits for their residential and small farm consumers. If water conditions and prices we receive for our secondary sales substantially improve between now and August 1, the variable aspect of the rate structure would incorporate that improvement through a lower SN CRAC increase.

Depending on what cost reductions are achieved, and other changes that occur in BPA's financial picture between now and August, this approach could lead to a substantially reduced effective rate increase in 2004. Cost reductions, coupled with good water conditions and favorable market prices, could result in no rate increase. See Attachment #1 for specific actions that may affect either variable or contingent rates.

Second, with respect to the customer concern that the extraordinary economic times call for a departure from historical financial standards, our initial proposal for the SN CRAC already takes more risk with respect to making our annual Treasury payment than we have taken historically. Our proposal brings TPP up to just 50 percent over the next three years – far lower than historical standards. This low TPP is justified by the multi-year and variable nature of the proposal, which allows us to demonstrate that we have an 80 percent chance of making all Treasury payments, including any "misses," by the end of 2006. We are calling this new measure the Treasury Recovery Probability (or TRP). The issue of whether this is the right standard to use and the level of risk we should take will be a part of the SN CRAC process.

Third, to address the customer concern about reducing pressure on BPA internal costs, we are open to a mechanism that could preclude BPA from recovering any excess controllable internal operating costs in the SN CRAC, if those costs exceed the further reduced limits for 2003-2006.

We would also be willing to institute monthly reporting on costs, at least quarterly meetings to discuss progress on cost reductions and BPA workshops each August that would bring regional focus and attention to BPA, the Corps of Engineers, Bureau of Reclamation, Energy Northwest, fish and wildlife mitigation programs, and other operating and program expenses before the level of any SN CRAC is finalized.

Finally, and most importantly, we will respond to the customer appeal that BPA focus heavily on further cost reductions and on potentially deferring costs in an effort to capture maximum cost reductions by August 1, inside and outside BPA. As a part of this, we will create forums for customers and other stakeholders to discuss costs and the use of ENW refinancing. These forums will explore the trade-offs and risks associated with further cost reductions, cost deferrals and borrowing. Due to the formula rate design described above, results from this process could be



incorporated in any final rate levels for FY2004 and for the remainder of the rate period. Attachment #1 includes the opportunities for actions to lower costs or increase revenues. We will conclude these forums with decisions that will be included in the October rates.

As we proceed with our efforts to minimize the proposed SN CRAC increase, we must not lose sight of potential near and long-term impacts. Further reductions in operations and maintenance costs of our generating partners can reduce rates in the near term, but at the expense of long-term reliability, safety and generation capability. Similarly, use of borrowing to hold down rates now increases rates in the long term while passing costs along to future ratepayers and potentially affecting BPA's future rate levels. We also want to minimize the risk of including overly optimistic cost or revenue assumptions. In seeking to find a way out of our current problems, we want to limit the risk of sowing the seeds for the next financial crisis.

With the joint efforts of BPA and the region to further reduce costs, we believe the alternative approach described above has the potential to substantially reduce the need for a 2004 rate increase. Our approach would keep pressure on BPA's costs and would not give BPA an "easy out" for cost increases. In addition to other proposals, BPA's rates staff are submitting testimony in the rate case that opens the door to formal consideration of such an approach in the rate case. We hope it will receive positive consideration by the parties during the rate proceeding. In the meantime, please join us as we continue to work toward maximum prudent cost reductions.

Sincerely,



Stephen J. Wright  
Administrator and Chief Executive Officer

2 Attachments

**Attachment #1**  
**Potential Cost Reductions or Revenue Increases for FY2004-2006**

In the SN CRAC process, staff are proposing a rate design that could vary based on actual financial results from the year before the rate goes into effect as well as reflect cost reductions we are reasonably certain of in future years. It's proposed that these variables would be pinned down by the time the actual SN level is set in August of the prior year. Below is an example list of impacts that, under a variable/contingent rate approach, could lead to a substantially reduced rate increase in 2004, or no rate increase if cost reductions are achieved and secondary revenues improve due to favorable hydro and market conditions.

Potential Reductions in Cost or Increases in Revenue, with BPA action plans for each (dollars in millions)	Impact on FY2004 Rate Calculation	Impact over the entire FY2004- 2006 period
1. Improved hydro conditions and/or improved prices we receive for secondary sales in FY2003. <ul style="list-style-type: none"> <li>This improvement is not in our current forecast, but is within the range of possibility given good water conditions and favorable market prices.</li> </ul>	\$75M (\$75M for FY03)	\$75M (\$75M for FY03)
2. Improved hydro conditions and/or improved prices we receive for secondary sales for FY2004-2005. <ul style="list-style-type: none"> <li>This improvement is not our current forecast, but is within the range of possibility given good water conditions and favorable market prices.</li> </ul>	\$0M	\$200M (\$100M for FY04-05 Each)
3. Further reductions in BPA internal operating costs charged to power rates. <ul style="list-style-type: none"> <li>The additional reductions shown here bring BPA internal costs to 2001 actuals, net of revenue offsets. We will commit to managing to these reduced levels.</li> <li>We will define the effects of additional 5% and 10% reductions in internal operating costs to further inform regional discussions.</li> </ul>	\$10 M	\$20 M
4. Further reductions in Corps, Reclamation and/or ENW operations and maintenance costs. <ul style="list-style-type: none"> <li>We are asking ENW, Corps and Reclamation to define the effects of additional 5% and 10% O&amp;M cost reductions, to inform further regional discussion of costs.</li> <li>Benchmarking information indicates that Corps and Reclamation costs are already below industry norms. Benchmarking is less clear for CGS.</li> </ul>	\$?	\$?
5. IOUs restructure benefits for their residential and small farm consumers such that benefits are not paid during this rate period. <ul style="list-style-type: none"> <li>BPA is participating in active discussions with other parties in an attempt to achieve these reductions.</li> </ul>	\$110M	\$220M
6. Publics and IOUs settle litigation over IOU subscription contracts. <ul style="list-style-type: none"> <li>Affects LB CRAC.</li> <li>BPA is participating in active discussions with other parties in an attempt to achieve these reductions.</li> </ul>	\$67M	\$200M
7. BPA successfully renegotiates certain augmentation contracts. <ul style="list-style-type: none"> <li>Active negotiations are underway. Results should be clear by the end of April.</li> </ul>	\$10M	\$30M
8. Reductions in fish and wildlife direct costs and hydro operational costs through more cost-effective achievement of biological goals. <ul style="list-style-type: none"> <li>Continue work with NW Power Planning Council on potential reductions in direct program costs for FY2004-2006.</li> <li>Use Council conclusions from mainstem rulemaking to engage NOAA Fisheries about which measures are appropriate to include in financial projections.</li> <li>Seek additional efficiencies in river operations consistent with biological opinion.</li> </ul>	\$?	\$?
9. Debt management activities such as freeing up reserve accounts and accounting for foregone interest on such accounts, reflecting refinancing savings and swap transactions, and other potential actions.	\$65M	\$81M
10. ENW paying agent settlement and financing of spent fuel storage facility.	\$19M	\$14M
<b>Total</b>	<b>\$356 M</b>	<b>\$840 M</b>
<b>Resulting rate increase over FY2003 effective average rates. If all the possible improvements above occur, an SN CRAC may still be necessary to maintain rates at the 2003 level.</b>	<b>About 0%</b>	<b>Between 0%-5%</b>

Attachment #2  
Effects of Deferring the SN CRAC Process:  
High Financial Risks

- **Additional cost reductions and revenue increases have not been achieved yet.** All of the \$754 million of cost cuts and revenue increases in the customer alternative should be pursued, but none of it can be counted on as assured now, except for \$20 million of BPA internal power-related cost reductions in addition to the \$140 million already done. Virtually all the \$754 million requires the agreement of other institutions that has so far not happened (or requires cooperation of the weather and markets). BPA has been pursuing all of these reductions for months. Virtually none is unilaterally achievable by BPA.
- **Relying on uncertain financial improvements, and then not getting them, could mean financial disaster or a much higher rate increase.** If we defer the SN CRAC process and get none of the \$754 million of financial improvements except \$20 million more in internal cost reductions:

TPP in FY04 with no SN CRAC: 15%

SN CRAC in April 2004 to bring FY04 TPP back to 50%:

59% increase in base rates

37% above FY03 rates

- **Extraordinary cash tools will be needed, even with an SN CRAC.** Extraordinary cash tools, such as use of ENW refinancing proceeds or the Treasury note, are BPA's last line of financial defense. Even with an SN CRAC in FY04, there is high probability that BPA will need these last-defense tools to meet obligations both in the fall of 2003 and the fall of 2004. Using \$100 million of ENW refinancing proceeds to avoid an SN CRAC means that the last line of defense is that much smaller. The SN CRAC is important to replenishing this tool. Without it, BPA's risk of illiquidity and failure to pay Treasury or other creditors could be substantially increased.
- **BPA already has lowered financial standards to mitigate rate impacts.** The rate case standard for TPP is 80% to 88% for five years, translating to over 90% for individual years. The TPP target for individual years in the SN CRAC proposal is 50% in combination with a three-year 'Treasury Recovery Probability' (not TPP) of 80%. Also, in the SN CRAC proposal the power business line can use transmission reserves to achieve a higher TPP, departing from the prior standard of a power-only TPP. Returning to the rate case standard for TPP would require a far higher SN CRAC. We are proposing a lower TPP standard to recognize the severe impacts of a rate increase while still achieving our traditional level of TPP by the end of FY06. See Table 1.

**Table 1**  
**Impacts of TPP Standards on a One-Year SN CRAC**

<b>One-year TPP</b>	<b>Five-year TPP</b>	<b>One Year SN CRAC for FY04 above base rates</b>	<b>Rate increase for FY04 above FY03 rates</b>
PBL – 95.6%	PBL – 88%	66%	42%
BPA – 95.6%	BPA – 88%	58%	37%

- **SN CRAC process deferral probably would mean further credit rating downgrades.**  
BPA's credit rating recently was downgraded by Fitch as well as placed on "negative outlook" by Standard and Poor's, even in view of the expectation that BPA will proceed with the SN CRAC process and shore up its TPP and liquidity positions. Putting off the SN CRAC process could result in additional downgrades, which would add costs and/or cause damage to BPA's debt optimization program, the source of funds that the customers would have us rely on. The S&P report states that a downgrade could be prompted by "the use of any debt restructuring savings to offset current operating expenses....," "failure to implement an adequate SN CRAC....," or "any restructuring of federal Treasury obligations."

**Additional Notes Regarding Impacts of Different TPP Criteria on a  
Potential SN CRAC**

- BPA's long-term TPP standard is 95% for a two-year period, equivalent to 88% for a five-year period. BPA relaxed this to 80% for a five-year period during the discussions of the Fish Funding Principles. BPA then applied this to PBL-only rates and cash in the 1996 rate case for FY97-01, and again in the 2002 rate case for FY02-06. This means that the cash reserves attributable to PBL plus the cash flow generated by PBL rates and revenues should have an 88% probability of being sufficient to cover the PBL portions of the Treasury payment for all five years.
- If we look at a one-year SN CRAC, we essentially have a one-year rate period. The one-year TPP that corresponds to an 88% five-year PBL TPP is 95.64%. An SN CRAC for FY04 alone is sufficient to produce a PBL one-year TPP of 95.64% is 66% (above base rates), or an increase in total non-Slice rates from FY03 to FY04 of 42%.
- BPA has proposed to relax this standard by proposing a whole-BPA TPP test for SN CRAC purposes. The 2004 SN CRAC needed to produce a one-year (FY04) TPP of 95.64% is 58% (above base rates), or an increase in total non-Slice rates from FY03 to FY04 of 37%.
- If BPA were to relax the TPP standard further than proposed, and aim for a BPA TPP of 80% for FY04, the needed SN CRAC would be 42% (above base rates), or an increase in total non-Slice rates from FY03 to FY04 of 26%.
- These all assume Initial Proposal data with the additional inclusion of \$20 million in cost cuts BPA already has pledged as part of reducing costs to the level of 2001 actuals (net of offsetting revenues), assuming the \$20 million is achieved in equal parts in FY03 and FY04.

**Table 2**  
**Factors in Support of a Multi-Year SN CRAC Proposal**

	Five Year Equivalent TPP	TPP Criterion	SN CRAC (% over base rates)	Total rate increase above total FY03 (incl. all CRACs)
One Year SN CRAC for FY04	80%	One year at 95.6%	58% for FY04	37% for FY04
3 Year Fixed SN CRAC	80%	Three year at 87.5%	48% for FY04-06	30% for FY04-06
BPA Initial Proposal (variable SN CRAC)	n/a	TRP in FY06 of 80% and FY04-06 TPP of 50%	30% on average for FY04-06 *	15.6% on average for FY04-06 *

Note: The first two cases assume Initial Proposal data with the additional inclusion of \$20 million in cost cuts BPA already has pledged as part of reducing costs to the level of 2001 actuals (net of offsetting revenues), assuming the \$20 million is achieved in equal parts in FY03 and FY04. The initial proposal does not include these. However, if they are included, the impact is less than 1 percentage point (29%, 15.2%). TRP stands for Treasury Recovery Probability, which is the probability of making all Treasury payments by the end of FY06.

- **Is the three-year SN CRAC proposal aimed at rebuilding BPA reserves to original Rate Case levels of \$600 million?** No. The BPA three-year proposal would aim to recover reserves to around \$300 million by the end of FY06 – a level considered minimal.
- **Three-year Treasury Recovery Probability (TRP) allows a lower SN CRAC.** If a one-year SN CRAC is established at a sufficient level to provide an 80% probability that we pay Treasury in FY04 (still low by normal standards), it would have to be extremely high. The three-year approach allows BPA to make the case that we are on path to recovering TPP by FY06 (the 80% TRP standard in FY06).
- **A one-year SN CRAC also risks an extremely high SN CRAC in FY05 and FY06.** If the total financial shortfall is in the ballpark of current BPA estimates, compressing the period of recovery by deferring the SN CRAC process could mean creating a much bigger rate problem in FY05 and FY06. (Having no SN CRAC in FY04 could force the proposed FY05-06 SN CRAC rates to be 1.5 times the size of the proposed FY04-06 SN CRAC.)
- **BPA must set its rates to recover its costs.** We need to demonstrate to FERC that we are setting rates sufficient to cover our costs. Under current rates, assuming that we will have an FB CRAC, we have negative net revenues in each of the four years (FY03-06). (FY04 - \$123M; FY05 -\$117M; FY06 -\$99M; on top of negative net revenues in FY02 and FY03)
- **Year-by-year SN CRAC increases the likelihood of cost deferral and makes clarification of long-term difficult:** Addressing the need for an SN CRAC each year could create a bow wave of losses that would be built up and pushed out past 2006. As long as this prospect exists, BPA's post-2006 cost structure remains more uncertain, making it harder to resolve post-2006 issues.

**Congress of the United States**  
Washington, DC 20510

February 13, 2003

03.0044  
2.24.03  
3.10.03

Mr. Steve Wright  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208

ASSIGN: DR-7C  
cc: A-7, D-7, K-6, DC/Wash, L-7, P-6,  
PG-5, PGF-6, PL-6

Dear Steve,

We write to express our shared commitment to ensuring the financial future of the Bonneville Power Administration (BPA) and the Northwest economy as a whole. We understand that mitigating the proposed "Safety Net" rate increase will require the cooperation of all stakeholders in the region. We lend our support to your effort to bring all parties to the table to discuss what is feasible within the parameters of existing legal obligations, as we believe imposition of another rate increase of this magnitude must be an approach of last resort.

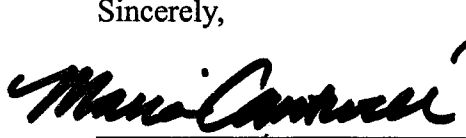
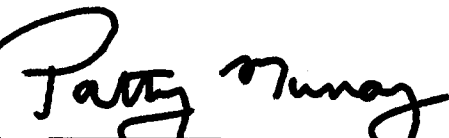

Given that Bonneville's rates have already risen by almost 50 percent over the past two years, we are concerned by the potentially devastating impact a new increase might have on our region. Already, the economy of the Pacific Northwest is under severe strain, as Washington and Oregon have among the highest rates of unemployment in the nation. It is thus imperative that we work together to find creative ways to mitigate this proposed rate hike.

We are aware that BPA—which provides roughly half the Northwest's electricity supply—is struggling to climb out of a financial predicament caused by a combination of factors including drought and unforeseen market circumstances associated with the western energy crisis.

We do not endorse any specific proposal to mitigate a rate increase at this juncture. However, we do support the underlying notion of creative cost control. We urge you to review the suggestions of all stakeholders and take all reasonable steps to reduce or prevent the imposition of an additional rate increase—again, consistent with all relevant legal obligations and in a manner that will not jeopardize the safety and reliability of the Northwest electricity system. To this end, we are pleased that you will hold a forum in Northwest in coming weeks to allow for a thoughtful and interactive discussion between Bonneville and regional stakeholders.

We clearly recognize that this challenge is a daunting one, but we share your belief that every effort must be made to alleviate the impact further rate increases would have on our already-staggering regional economy.

Sincerely,

		
<u>Maria Cantwell</u>	<u>Patty Murray</u>	<u>Norm Dicks</u>
U.S. Senator	U.S. Senator	U.S. Representative

Cc: Army Corps of Engineers  
Bureau of Reclamation  
National Marine Fisheries Service  
Northwest Power Planning Council  
U.S. Fish and Wildlife Service  
Energy Northwest  
Washington Utilities and Transportation Commission  
Public Power Council  
PacifiCorp  
Puget Sound Energy  
Avista Corporation



Congress of the United States  
Washington, DC 20515

February 19, 2003

Mr. Steve Wright  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621

03.0048  
2.27.03  
3.12.03

ASSIGN: DR-7C  
cc: A-7, D-7, K-7, DC/Wash, L-7,  
P-6, PS-6, PSP-5, DF-2, T/Ditt2

Dear Steve:

We share your commitment to assuring financial integrity and the payment of Bonneville's Treasury obligation. However, imposition of up to a 15 percent "Safety Net" rate increase should be an approach of last resort.


As you are well aware, the economy of the Pacific Northwest is in a precarious position. Washington and Oregon have the highest unemployment rates in the continental United States and the economy of the entire region is under severe strain. High electric rates are a significant contributing factor to this situation. Additional electricity rate increases will lead to business shutdowns and additional layoffs.


Bonneville's customers have suggested various alternatives to avoid or minimize the impending Safety Net rate increase. While we are not writing to endorse a specific proposal, we do support the cost cutting and accounting options that do not jeopardize legal obligations. We urge you to review your customers' suggestions and take all reasonable steps to reduce any additional rate increase. We recognize that not all of the potential cost savings can be achieved by Bonneville alone. That is why we are also urging your cost partners to support you in your efforts to find additional savings to mitigate any potential rate increase.

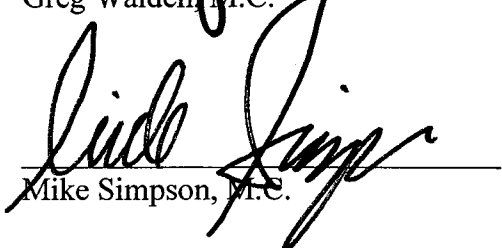
Sincerely,

  
George R. Nethercutt, Jr., M.C.

  
Peter DeFazio, M.C.

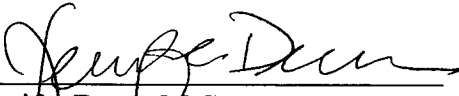
  
Greg Walden, M.C.

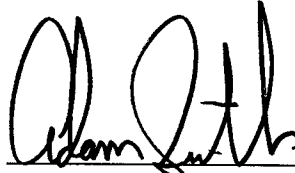
  
Jay Inslee, M.C.

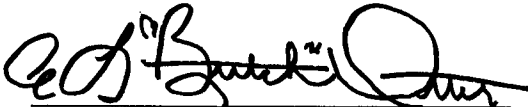
  
Mike Simpson, M.C.


  
Norm Dicks, M.C.

Mr. Steve Wright  
February 19, 2003  
Page Two

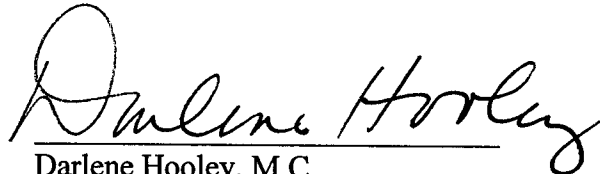
  
Jennifer Dunn, M.C.

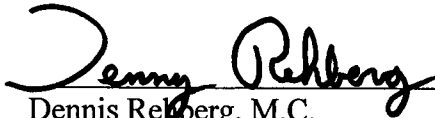
  
Adam Smith, M.C.


  
Butch Otter, M.C.

  
Brian Baird, M.C.

  
Doc Hastings, M.C.

  
Darlene Hooley, M.C.

  
Dennis Rehberg, M.C.

  
Jim McDermott, M.C.

  
Earl Blumenauer, M.C.

  
David Wu, M.C.

  
Rick Larsen, M.C.

Cc: Army Corps of Engineers  
Bureau of Reclamation  
National Marine Fisheries Service  
Northwest Power Planning Council  
U.S. Fish and Wildlife Service  
Energy Northwest  
Washington Utilities and Transportation Commission  
Oregon Public Utilities Commission  
Public Power Council  
PacifiCorp  
Puget Sound Energy  
Avista Corporation



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

MAY 22 2003

In reply refer to: DR-7C

Honorable Peter DeFazio  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Representative DeFazio:

Thank you for your letter dated March 31, 2003, in which you inquire about the Bonneville Power Administration's (BPA) current consideration of a Safety-Net Cost Recovery Adjustment Clause (SN CRAC) for its 2002 wholesale power rates.

Enclosed are BPA's responses to your questions. Please note that our responses are governed by the "Procedures Governing Bonneville Power Administration's Rate Hearings". These preclude ex parte communications between BPA or the Department of Energy and outside parties, including members of Congress, regarding BPA's rate development. Ex parte communications are "oral or written communications regarding the merits of any issue pending in a hearing conducted pursuant to Northwest Power Act section 7(i) which is not on the record and with respect to which reasonable prior notice to parties has not been given". Under ex parte, BPA may provide information describing BPA's rate proposal, the status of the hearing, or procedural matters. Because most of your inquiries concern only requests for information regarding BPA's rate proposal, I can respond fully to most of the questions.

I am also enclosing a copy of a letter to the region on March 26, 2003, describing an approach to BPA's financial situation. This approach may substantially reduce the need for a rate increase, or even eliminate the rate increase if we have good luck with weather and markets. The approach combines changes that must be developed by parties in the rate case with major reductions in costs. While the rate issues remain to be resolved through the formal rates process, we are actively pursuing the additional cost reductions now.

Thank you for your inquiry. If I can answer any other questions, please contact me.

Sincerely,

A handwritten signature in black ink, reading "Stephen J. Wright", is positioned above the typed name.

Stephen J. Wright  
Administrator and Chief Executive Officer

2 Enclosures

cc:

Corps – Brigadier General David Fastabend  
Bureau – Bill McDonald, Regional Director  
NMFS – Bob Lohn, Regional Director  
Energy Northwest – Vic Parrish, Executive Director  
NWPCC – Judi Daniels, Chair  
PPC – Jerry Leone, Executive Director  
Pacificorp – Judi Johansen, CEO  
Puget – Steve Reynolds, CEO  
Avista – Gary Ely, CEO  
WUTC – Marilyn Showalter, Chair  
OPUC – Roy Hemmingway, Chair

**BPA Responses  
To Northwest Congressional Delegation  
Questions on SN CRAC**

- 1. Recent rain and snowfall in our region appear to have improved the water outlook somewhat. Has Bonneville updated your water assumptions in the SN CRAC process? Does the improved water outlook reduce the projected budget gap? If so, by how much?**

BPA has not yet updated its official fiscal year 2003 (FY03) studies for the rate case, to account for recent changes in Northwest rain and snowfall. Our initial proposal was based on the River Forecast Center's (RFC) February "early bird" projection of roughly 75 million-acre feet (maf). By May, the RFC's forecast had increased to 90.2 maf. This increase in maf could result in an increase of \$100 million dollars or more over the net secondary revenue forecast of \$414 million in BPA's initial proposal. All else being held constant, this increase could bring the total net secondary revenue into the low- to mid-\$500 million range. This issue, however, will be resolved in the formal section 7(i) hearing. In the rate hearing, BPA has stated that it will be updating these variables and corresponding secondary revenue for the final study, scheduled to be completed in June.

- 2. Market prices in the West have regularly hovered above 50 mills/kwh over the last several weeks, at times staying above 100 mills/kwh for extended periods. Have higher market prices increased Bonneville's secondary revenue projections? Has this reduced the projected budget gap?**

It is true that prices temporarily exceeded \$50, and even \$100 on occasion during the first two weeks of March. Most of the increase in prices can be attributed to a spike in natural gas prices. It is important to note that during much of the run up in prices, the Columbia Generating Station (CGS) was not operating and BPA was not making market sales. Since then, prices have fallen substantially – into the low teens – and have averaged in high twenties for daily on-peak power over the last several weeks. These factors will be resolved in the formal section 7(i) hearing. In the rate hearing, BPA has stated that it will update its FY03 secondary revenue forecast for the final study. This would incorporate committed sales and committed purchases and, as a result, any impact of actual prices relative to forecast prices.

- 3. Do updated water and market assumptions also change your assumptions about fish credits in a way that reduces the budget shortfall?**

BPA funds system-wide fish and wildlife mitigation on behalf of all the purposes of the federal dams – including flood control, irrigation, recreation and navigation, as well as power. To make BPA whole, Section 4(h)(10)(C) of the Northwest Power Act directs BPA to recoup from the Treasury actual non-power expenditures for fish and wildlife mitigation that are not recoverable in rates. Included among these are net replacement power purchase expenses (power purchases made to make up firm system capability lost due to fish mitigation measures), assessed at prevailing market values for power.

Theoretically, increases in prices and decreases in the water forecast can increase 4(h)(10)(C) operational credits. However, in actual practice, changes in conditions in the spring and summer often do not result in changes in credits. This is because the agency receives credits for net replacement power purchase expenses, but not for lost revenues due to operational changes for fish. Under most water conditions, changes in operations in the spring and summer to benefit fish result in lost revenues – not increased purchase power costs. After the fiscal year is complete, BPA calculates the credits given actual conditions in order to account for all of these factors. This issue, however, will be resolved in the formal section 7(i) hearing.

**4. Why is Bonneville insisting on solving a projected budget shortfall through 2006 with a rate increase this year? What are the implications of addressing the shortfall on a year-by-year basis? Given our grave concerns about further deterioration in the regional economy, what would the range of effects be in 2004 of a delay in implementing the SN CRAC?**

In my March 26 letter to the region, I described a potential way forward that, given successful joint effort within the region to reduce costs and some good luck with markets and rainfall, could greatly reduce or even eliminate the need for any rate increase in October. Changes that may emerge in the ongoing rate proceeding could make the determination of rate increases – if any are needed – a year-by-year determination, not one that raises rates in 2004 to solve a 2006 problem. Whether we take this path forward remains to be determined through the rate case. In the meantime, we are focusing on the key ingredient to success on rates – significant reductions in BPA's power costs.

To address these questions directly, one of BPA's criteria in developing the SN CRAC design was to mitigate the overall size of the rate increase, to the extent possible. As described in my March 26 letter, a solution spread out over the remaining three years of the rate period, but with the actual rate increase (if any) determined on a year-by-year basis, minimizes the overall effect of a rate increase on the region. A one-year SN CRAC proposal would have resulted in a much larger rate increase proposal for 2004. Similarly, BPA's information indicated that delaying the SN CRAC process would create the risk of a much greater BPA financial crisis next year, and a need for a much larger rate increase in subsequent years of the rate period.

In addition, BPA believes the rate schedule in our June 2001 Final Proposal calls for solving the problem for the remaining portion of the rate period. Specifically, it states that if the SN CRAC triggers, BPA will propose changes that will, to the extent market and other risk factors allow, achieve a high probability that the remainder of Treasury payments during the FY02-06 rate period will be made in full.

Finally, credit rating agencies have said they will reduce BPA's bond ratings if we do not use the CRAC mechanisms. (Again, whether there will be an SN CRAC adjustment for one year or more than one year will be determined in the rate case.) BPA and Energy Northwest (ENW) are currently restructuring ENW debt to take advantage of lower interest rates. The credit rating of BPA-backed bonds relies on proving that BPA can

meet its financial obligations. A further downgrade on BPA-backed bonds would increase interest expense and thus reduce the savings to BPA and its customers in the near-term as well as the long-term. A decreased credit rating could also impact power-trading transactions. Credit triggers embedded in Western Systems Power Pool (WSPP) contracts can be triggered by changes in bond credit ratings. With the collapse of credit in the power industry, utilities and traders are looking for any reason to request collateral or other credit support. Should BPA be required to provide credit support, it could create a further drain of cash, requiring further rate increases to assure fiscal stability and Treasury payment.

- 5. We have received conflicting accounts on the role Bonneville's assumptions about financial reserve levels play in the \$920-950 million budget shortfall. What assumptions is Bonneville making about reserve levels? Does Bonneville assume a rebuilding of financial reserves to \$600 million? If not, what levels, on a year-by-year basis, is Bonneville trying to achieve? Is it feasible to reduce your reserve assumptions further, given the economic stagnation in the Northwest, to avoid a rate increase? What would be the consequences of doing so?**

We are not assuming that we are rebuilding reserves to \$600 million, and do not have targets for reserve levels per se. The results of our study modeling the SN CRAC initial proposal show the expected value of our reserves after paying Treasury increasing from only \$52 million at the end of FY03 to \$350 million at the end of FY06. The expected year-end reserves for FY04 and FY05 are \$95 million and \$206 million, respectively.

We are not trying to achieve these levels specifically, but to meet our criteria for the probability of being able to meet our repayment obligations to Treasury with the lowest rate increase possible. It is not possible to reduce the rate increase in order to reduce our expected reserves below these levels without also reducing our Treasury Payment Probability (TPP). This issue, however, will be resolved in the formal section 7(i) hearing.

- 6. Bonneville has prepaid about \$367 million in federal debt over the last two years by refinancing Energy Northwest debt under the so-called debt optimization plan. Is Bonneville planning to make additional prepayments on the Treasury debt? What does Bonneville gain by making prepayments? What does Bonneville lose by not making these payments? Has Bonneville secured any commitments from the Treasury or the Office of Management and Budget that prepayments could be counted toward an annual Treasury payment in the event of a financial crisis? What are the implications of reserving a portion of Energy Northwest debt refinancing to mitigate a near-term rate increase?**

Through the Debt Optimization program, BPA has prepaid Federal debt in FY00, FY01, and FY02 in the amounts of \$85 million, \$97 million, and \$266 million, respectively, for a total of \$448 million. Under this program, BPA extends ENW debt through refinancing ENW bonds, and applies the resulting savings on principal payments to BPA's Federal debt. BPA's intent for FY03 is to make additional prepayments of \$315 million.

The two main benefits of making such prepayments are: (1) restoration of BPA's scarce borrowing authority, and (2) reducing annual interest expense. Often, prepayments free up bond reserve funds, providing more cash and higher reserves in the near-term, and thereby increasing TPP.

Absent these prepayments, annual debt service would increase for this same period of time by the amount of interest charged on the debt extended. For example, the interest on the \$315 million originally scheduled to mature in FY03, but extended through refinancing, will be about \$15 million per year until 2013, then it reduces gradually through 2018. These payments also restore Federal borrowing authority in the amount of the payments, thereby assuring that programs currently funded from borrowing will not need to be reduced or funded from current rates.

In addition, Standard and Poor's has already indicated in its most recent credit rating that BPA-backed bonds could be downgraded if we do not make the \$315 million prepayment on Federal debt. In effect, the ratings agency recognizes that BPA would be using a long-term debt instrument to cover short-term operating shortfalls. The cost in higher interest rates on future bond refinancings is uncertain, as it will depend upon a number of factors. But there seems no question that borrowing costs would increase, increasing pressure on current and future rates.

BPA has engaged Treasury staff in discussions about counting prepayment towards our annual scheduled payment in the event of a financial crisis. Treasury has not agreed to such an arrangement, but discussions on related subjects continue.

Finally, certain parties in the formal rate hearing have raised the issue of whether BPA should reserve a portion of the \$315 million to mitigate a near-term rate increase. BPA has made a commitment to ENW to prepay Treasury debt in a like amount. Deviating from that commitment could ultimately result in the ENW Board being less receptive to continuing with the Debt Optimization program, jeopardize the program and end up putting a further strain on BPA's ability to fund its capital program in the most economical way possible. This would ultimately increase rates or decrease the size of these programs.

**7. What is the Treasury Payment Probability (TPP) Bonneville is attempting to achieve in each year through 2006? What is the impact of lowering the TPP in the later years?**

The TPP standard is not applied to individual years but to whole rate periods – FY04-06 for the SN CRAC rate case. For this rate case, BPA is proposing a three-year TPP standard of 50 percent. That is, BPA intends to achieve no less than a 50 percent probability that BPA can make all of its Treasury payments on time and in full in the remaining three years of the FY02-06 period.

BPA is concerned that a rate increase of the magnitude necessary to achieve the 80-88 percent 5-year TPP standard used to develop BPA's proposed 2002 power rates is not



sustainable in the current economy. The SN CRAC rate provisions do not specify the TPP to be achieved and represent a unique question of first impression. Should BPA set too low a standard, higher rate increases could be required very soon and result in a sharp increase in rates in the next period. If we set the target as high as our historical standard, severe impacts could endanger the regional economy.

In order to assure that BPA has a probability of repaying the Treasury all that it owes within this rate period, BPA has developed a novel Treasury repayment standard for use in this SN CRAC process. The new measurement, Treasury Recovery Probability (TRP), is the probability that BPA will be able to make all of its FY06 payments to the U.S. Treasury, including repayment of any amounts it might miss in FY03-05. This provides a lower overall rate impact than traditional standards and assures that it will be feasible to resume the traditional standard in the next period.

The new standard is that the TRP be at least 80 percent. It means that over the rest of the rate period, BPA is still, on a probabilistic basis, setting rates high enough to achieve 80 percent probability of making its Treasury payments. This is important to restore BPA's financial health and to meet the minimum standard in BPA's Supplemental Proposal that BPA have between an 80 and 88 percent probability of making all payments in this rate period to Treasury in full.

- 8. It is our understanding that Bonneville is currently owed more than \$100 million by the California Independent System Operator (CAISO) and various direct service industry (DSI) companies in the Northwest. What steps is Bonneville taking to recover these funds? What do you believe BPA's net exposure to any Federal Energy Regulatory Commission (FERC)-ordered refunds may be? Do you expect to be able to mitigate a rate increase by successfully recovering this money?**

The California Independent System Operator (ISO) and California Power Exchange (PX) owe BPA a total gross amount of \$90 million. BPA has established a bad debt reserve of \$39.4 million related to these California receivables. Significant events, including FERC refund hearings and bankruptcy hearings for Pacific Gas & Electric and the PX, need to be concluded before BPA can determine how much of the receivable will be collected. It is probable that a portion will be collected; however, BPA does not expect to collect the full amount owed. BPA is continuing to pursue all legal and administrative means of collecting these funds, including bankruptcy court, FERC hearings, and debt collection by the Department of Treasury.

Based on our current evaluation of legal proceedings and other factors, the amount of ultimate or potential losses related to the FERC-ordered refunds, as well as the potential rate increase mitigation from recovery of California receivables, are not determinable at this time.

Three primary direct service industrial customers (DSI) also have significant overdue receivables to BPA. In total, these DSIs currently owe BPA a gross amount of

\$34 million related to take-or-pay damages, transmission services provided, and power that has been delivered. Two of these entities have filed Chapter 11 bankruptcies, and BPA's claims will be determined by the bankruptcy court. BPA has established a bad debt reserve of \$31 million related to these DSI receivables. BPA is continuing to pursue all legal and administrative means of collecting these funds, including bankruptcy court and debt collection by the Department of Treasury.

9. **We recognize that Bonneville has committed to reducing its internal Power Business Line (PBL) costs to 2001 levels through 2006. However, a number of customers have noted that this means PBL's costs will still be hundreds of millions of dollars above the levels projected in the last rate case and actual 2000 levels. According to a customer letter to Bonneville on September 20, 2002, Bonneville increased the number of PBL staff by 25 percent from 2000-2003, and increased corporate staff by 33 percent. At a time when many utilities and other businesses are reducing staffing due to budget pressures is Bonneville attempting to reduce internal costs to the levels forecast in the rate case? If not, why not? Is Bonneville making staff reductions? Is Bonneville making real reductions, or merely limiting future increases in costs? Describe the implications of reducing PBL costs to the levels assumed in the May 2000 rate case, both in terms of rates and operations.**

In BPA's current rate hearing, parties have argued that BPA should reduce its costs. By way of background, however, BPA does not establish its costs in rate hearings. BPA's cost determinations are only secondarily a part of BPA's rate development.

That said, the difference between BPA's internally managed power costs in the May 2000 rate case for FY02-06 and the estimate of current costs is \$279 million (net of revenue increases directly connected to those costs), or about \$56 million per year over the five-year rate period. If internal power costs were to be reduced to the levels assumed in the May 2000 rate case, BPA's power rates would be reduced by somewhat less than \$1 per megawatt-hour (MWh.) This would result in 2-3 percent reduction in BPA's current power rates for shaped Priority Firm load.

The internal power costs in the May 2000 rate case were largely based on the Comprehensive Review and the Cost Review recommendations. (It should also be noted that, in response to competitive pressures to minimize costs and rates, BPA had already decreased staffing by over 27 percent over a 5-year period beginning in mid-1994.) The Comprehensive Review and Cost Review recommendations envisioned a dramatically shrinking role for BPA and a very simple wholesale power market, with less than half the FTE currently needed to operate BPA's power function.

BPA's role changed significantly in the face of the energy crisis and changing customer demands. The region appeared to be facing a multiyear period of inadequate generation infrastructure and high prices. Based on our understanding of regional stakeholders' expectations, BPA changed its priorities – from minimizing total costs to expanding the amount of generating resources to serve an increasing load.

In retrospect, we believe now that the forecast levels of expenses recommended by the Cost Review were unrealistically optimistic given the increasing complexity of the task of managing the power system and of conducting essential functions. BPA costs and staffing have been shrinking in many areas. Due to the complexity of power markets today, though, they have increased in other areas – especially in the area of 24-hour, seven-days-per-week, scheduling, information technology, and trading floor activities.

There are no planned or actual staffing increases for the Power Business Line (PBL) or Corporate at the levels mentioned in the September 30, 2002, Customer Proposal. The comparison of 2000 staffing actuals (the historic low point of BPA staffing) to currently projected 2003 actuals are roughly a 5 percent increase in PBL and a 19 percent increase in Corporate (with more than half of the Corporate increase attributable to support of Transmission). The Agency's FTE usage for FY03 will be about the same as FY02 and our on-board strength is declining. We are managing our FTE at this stable level.

Since the Financial Choices process last summer, we have cut out virtually all the increases we were projecting in internal power costs. We are trying to carry out a greatly-expanded mission, while driving internal costs down to 2001 levels – without any allowances for cost of living increases or inflation, and without any offsets for the very real revenue increases we are creating for customers.

A number of internal costs have been reduced, in absolute terms, from 2001 actuals. Among the reductions we have made over the 5-year rate period are travel (\$1.5 million), training (\$1 million), monetary awards (\$7 million, mostly being eliminated from budgets), retention allowances (\$4 million, being reduced to zero), materials and equipment (\$25 million), research and development (\$26.6 million). Over the last several years, BPA has reduced staff in rates, load forecasting, account executives, communications, and nuclear oversight. We have placed a moratorium on outside hires with limited exceptions and offered early retirement to reduce employment levels. We have cancelled or deferred major information technology development projects.

But we have come near the end of belt-tightening. Any significant further internal cost reductions will require cuts to accomplishment of BPA's core mission. The overhead support functions for these core mission areas are being subjected to efficiency reviews as well, to ensure that their costs are as low as possible.

We have formed customer workgroups to share our numbers and solicit input from customers on internal costs. Customers will have an opportunity to affect rate levels through providing input on spending levels in all these areas. We have also indicated that we are open to a mechanism that could preclude BPA from recovering any excess controllable internal costs in the SN CRAC, if those costs exceed the further reduced limits for FY03-06.

**10. Bonneville signed hundreds of millions of dollars worth of power purchase and power delivery contracts with Enron. Is Bonneville attempting to renegotiate or terminate high-priced Enron contracts? How much could a settlement of the contracts reduce the projected budget shortfall?**

BPA recently reached an agreement with representatives of Enron's creditors terminating all remaining contracts with the bankrupt company. BPA estimates the action will reduce a proposed 15 percent wholesale rate increase by about 2 percent. The agreement saves more than \$40 million for Northwest ratepayers, a discount of 30 percent off of the market value of the contracts. Under the agreement approved by the bankruptcy court, BPA pays Enron's creditors \$99 million. The agreement also resolves legal uncertainty about other Enron contracts BPA unilaterally terminated early in 2002. Those terminations saved ratepayers approximately \$150 million, which is already figured into BPA's rates.

We were able to negotiate a very beneficial settlement for ratepayers. The agreement avoids high legal costs and unpredictable rulings by regulators and the courts. It is a significant step among our efforts to reduce costs and provide certainty at a moment when the Northwest economy needs it most.

BPA will pay the settlement from a government fund that provides money for resolution of legal disputes. The agency will repay the fund over seven years.

**11. Is Bonneville or your federal partners deferring capital expenditures that are not necessary for reliability in order to relieve near-term rate pressures? If so, what are the implications?**

Deferral of capital spending has relatively little impact on rates over the next few years. However, as part of our overall effort to bring costs down, BPA has reduced planned capital spending this year. These include reductions in expenditures on the hydro system, deferred replacement of a condenser at CGS (we believe this action will not impact operations, but will further evaluate this assessment during a planned CGS maintenance outage in May), deferral of \$27 million of conservation investments until later in the rate period, and a \$7 million reduction in information technology (IT) budgets.

Some of the cuts and deferrals will probably have to be "made up" in subsequent years, though many of the IT cuts will not be restored. We are continuing our so-far successful efforts to find lower-cost ways of meeting conservation goals.

**12. The Columbia Generating Station (CGS) was recently off-line for repairs. What impact did this have on Bonneville's bottom line?**

CGS was either off-line (or under-generating) from February 27 to March 16, 2003. To compensate for this outage, BPA embarked on a strategy to purchase market energy and reshape energy production from the hydro system. The net financial impact of the outage

was approximately \$13 million. Over the rest of the fiscal year, CGS has actually produced more power than assumed in the rate case.

- 13. According to last fall's customer letter, project costs for the CGS are \$85 million higher in FY03 than the rate case forecast. The rate case targeted an operating cost of CGS of 19 mills/KWh. Actual costs are closer to 26 mills/KWh. Why have operating expenses at CGS far exceeded those projected in the rate case? In the customer's September letter, the customers proposed \$188 million in cost reductions and cash tool options for Energy Northwest. The detailed suggestions outlined by the customers were originally provided by Energy Northwest itself. Have these savings been achieved? If not, why not?**

BPA's rate case was based in part on forecasts provided by ENW to the Cost Review Panel in 1997, incorporating BPA's adjustments and assumptions to reach an average cost of power of 20 mills/kWh over the rate period. ENW noted that its forecasts were based on optimistic targets that CGS would try to achieve.

CGS's long-range forecasts over the last several years have reflected increasing annual operating costs. Programs and issues are now included in forecasts that were not anticipated in 1997. Examples of the major technical operations and maintenance (O&M) cost drivers include mitigation of intergranular stress corrosion of the reactor vessel, independent spent fuel storage capital and operating costs, fuel corrosion problems, plant equipment obsolescence problems requiring increased capital investment (such as replacement of the main condenser), a change from an annual operating cycle to 24-month cycle, outage costs greater than anticipated, in-service inspections deferred from previous outages, the addition of plant reliability programs, and increased security requirements mandated by the Nuclear Regulatory Commission. There is also increased pressure on operating costs due to employee-related issues such as increased employee health costs, employee recruitment and retention costs, and employee incentive programs.

Other items driving cost increases include escalation and termination of litigation settlement credits. The rate case included a reduction for litigation settlement credits spread over time and ending in 2003. Since then, this settlement has been re-negotiated, and all credits were received in the previous rate period. Finally, the rate case assumed CGS would not have any escalation due to inflation, while recent forecasts and estimates include inflation.

ENW is currently conducting cost benchmarking to determine appropriate levels for CGS operating costs. The comparison plants being used have consistently achieved low operating costs and are good operating and regulatory performers. This effort is expected to be completed by the end of June.

Regarding the customers' suggestions on ENW's use of debt, BPA and ENW finance staff have worked cooperatively for a number of years to continually manage BPA's overall debt in the best interest of regional ratepayers. For several years, the size of the capital program at ENW was relatively insignificant and it did not make sense to finance

all capital expenditures. Recently, however, we have embarked on developing an updated policy to specifically address the issue of financing.

ENW has already implemented some of the customers' proposals. It recently obtained a ruling from the Internal Revenue Service extending the ability to finance some new investments at CGS on a tax-exempt basis. ENW plans to issue \$35-50 million in municipal bonds backed by BPA for new capital investments prior to June 30 of this year. In addition, at BPA's request, ENW obtained approval from a bond insurer to purchase surety bonds in an amount adequate to release the remaining \$145 million of bond reserves being held by ENW.

ENW is pursuing the cost savings suggestions through a revised fuel purchasing plan and delaying a condenser replacement into the next rate period. When the investment in the condenser replacement at CGS occurs, we will likely finance it with tax-exempt municipal bonds.

When BPA and ENW embarked on the Debt Optimization program about three years ago, BPA indicated a willingness to support additional unhedged variable rate debt in the range of \$125-150 million. Due to significantly declining interest rates over this period, we have chosen to continue locking in long-term relatively low fixed interest rates. As rates begin to rise, BPA and ENW will consider the issuance of additional unhedged variable rate debt.

**14. The assumed level of spending on O&M by the Army Corps of Engineers and the Bureau of Reclamation was projected in the rate case to average \$160 million from 2003-2006. However, more recent projections anticipate the Corps and the Bureau will spend an average of \$205 million from 2003-2006. What is contributing to the cost overruns at the Corps and Bureau? Can costs be brought back down to the levels projected in the rate case?**

BPA's 2001 rate case budgets were based primarily on recommendations that came out of the 1998 Cost Review. As recommended by the Cost Review, they assumed flat-lined budgets for the 5-year rate period.

The Cost Review forecasts assumed large efficiencies would be gained by consolidating the financial systems, human resources, and information technology systems of the Corps, Reclamation, and BPA. This consolidation has not occurred as the Corps, BPA, and Reclamation are three separate agencies in different departments (Defense, Energy, and Interior) within the Federal Government. However, the agencies have made significant changes and improvements in business practices since then, and continue to look at ways to increase efficiencies and reduce costs. For example, the agencies have implemented coordinated budgeting, planning, and program management for operations and maintenance and capital investments, share workforce capabilities for cost-effective maintenance, have implemented cooperative research efforts, and are looking at other improvements such as joint recruiting and training efforts.

In addition to improvements in business processes since the rate case, BPA, the Corps, and Reclamation also have developed updated information on the base material condition of the hydro generating facilities and their O&M and capital needs, as well as more refined information about workforce/labor needs (e.g., large percentages of employees at or nearing retirement) on which the O&M budgets are based. The Cost Review did not have this updated information available to it at the time the recommendations were made.

The Corps and Reclamation O&M programs have also experienced new funding requirements over which they have little or no control. These new funding requirements are major cost drivers for the 2003-2006 period. The estimated costs are listed below:

- Grand Coulee project cost reallocation: increased costs for O&M allocated to power at the project went from 70 percent to 92 percent (\$6.8 million/year).
- Additional security costs post-September 11, 2001 (\$6.6 million/year).
- Allocation of fish and wildlife costs from within the rate case to the Corps and Reclamation budgets (reflecting new biological requirements) (\$11.3 million/year).
- O&M costs for new generation from Green Springs and Elwha/Glines (\$2.6 million/year).

There are also budget increases in the existing program. These adjustments reflect updated information about O&M program requirements, such as an increase in labor costs associated with higher than anticipated pay raises and increased benefits, additional overtime, and new training requirements (\$7.8million/year). Also, the 2003-2006 budgets have been adjusted to include 3 percent inflation over the rate period.

With the new funding requirements outlined above, and updated information about the Corps and Reclamation O&M programs, it is not possible to return to funding levels projected in the rate case without suffering revenue losses that would more than offset the O&M cost savings.

At the same time, BPA, the Corps, and Reclamation have implemented almost all of the recommendations that came from the Cost Review Panel, including developing an integrated capital asset management strategy and establishing Joint Operating Committees composed of the Corps, Reclamation, and BPA to facilitate the development and implementation of the strategy. This strategy incorporates O&M of the Federal Columbia River Power System (FCRPS), coordinated capital investment planning, as well as the application of integrated performance measures.

The Cost Review also recommended benchmarking all O&M aspects of the FCRPS against industry standards. The three agencies now routinely benchmark FCRPS hydropower costs against the hydro generating industry, and share best practices. Benchmarking results support the program by showing FCRPS O&M costs to be at or below expected levels for similar facilities in the hydro generating industry.

In retrospect, flat-lined budgets are not compatible with adequate operations and maintenance of these aging but highly valuable assets. The resultant Financial Choices budgets represent baseline O&M funding levels required to obtain the production and reliability necessary to meet hydrosystem performance requirements for the region.

- 15. According to the customers' analysis of the last six years of Bonneville's fish and wildlife (F&W) spending, an average of 84.5 percent of the budget is actually spent in any given year. Has some change in this pattern occurred or is it expected to occur? How does Bonneville account for F&W spending? Is it based on budgeted spending or actual spending?**

In FY02, actual expense spending under the Fish and Wildlife Integrated Program was 98 percent of budget. Internal estimates developed in early FY03 indicated that actual expense spending would exceed the budgeted \$139 expense level. At BPA's request, the Council prioritized spending within a budget ceiling. Current estimates indicate actual expense spending to be at budgeted levels for the remainder of the rate period.

As part of its fish and wildlife funding, BPA also makes available \$36 million in capital funds annually. The amount of capital actually expended depends on the number of project eligible for capitalization under BPA's capitalization policy.

Currently, the Fish and Wildlife Integrated Program monitors and maintains both a planning budget and actual spending. BPA is working with the Council to modify our approach to planning and project management. The goal of this work is to assure that we stay within budget and to provide an early warning if expenses are likely to exceed the annual budget. This should better align actual spending with the planning budget.

- 16. Further, we know that Bonneville has asked the Northwest Power Planning Council for assistance in making cuts to the F&W programs. What is the amount of reductions Bonneville is seeking? How does F&W spending compare with projected levels in the rate case? How does 2003-2006 projected spending compare with actual 2001-2002 levels? How does current F&W spending compare with levels in the Biological Opinion?**

BPA has not requested a specific level of reduction in the Fish and Wildlife Integrated Program. The Administrator has asked for the Council's guidance on whether it is feasible to reduce program spending and continue to meet BPA's Northwest Power Act and Endangered Species Act obligations.

In a December 2001 letter to the Council, BPA stated its intention to provide funding for the Fish and Wildlife Integrated Program at an annual average of \$139 million in expenses for the FY02-06 rate period. This level of expense funding is consistent with the average of a range of alternatives assumed in the rate case. This also reflects an increase of 39 percent in the level of estimated expense funding of the FY96-01 rate period.



Projected expense spending for FY03-06 is \$139 million per year. This compares to actual expense spending of \$101 million and \$137 million for FY01 and FY02, respectively.

The Biological Opinion (BiOp) does not estimate spending levels. However, current and projected expense levels (and increases) assume additional spending through the Fish and Wildlife Integrated Program to meet needs described in the BiOp.

- 17. Annual benefits to the residential customers of investor-owned utilities (IOUs) went from \$70 million in 1997-2001 to over \$400 million per year in 2002-2006. This jump primarily reflects the buy-down agreements Bonneville negotiated with the IOUs at the height of the energy crisis. IOUs are now receiving 2/3rds of the benefits of the federal system. We understand that the IOUs have agreed to defer a portion of proceeds from the buy-down agreements. Is there additional savings that could be achieved in this area?**

Changes in the agreements for benefits to investor owned utilities (IOU) for their residential customers are key to controlling any increase in BPA rates. We believe that agreements can and should be made among BPA, public utility customers, IOUs, and state public utility commissions that will provide net benefits to each, and significantly reduce the pressure on BPA rates. These agreements could involve a deferral of benefits. Talks are actively underway to attempt to achieve this now. It is essential that these talks come to successful conclusion.

- 18. Bonneville agreed to pay a \$200 million litigation penalty to the IOUs in the event that consumer-owned utilities challenged Bonneville's settlement agreement with the IOUs in court. What is the status of negotiations between Bonneville, public utilities, and the IOUs toward eliminating this \$200 million payment, thus mitigating any potential rate increase? If an agreement is stalled what can be done to move the negotiations forward?**

First, it is a mischaracterization to refer to the \$200 million is a "litigation penalty." It is not a payment to be triggered in the event the consumer-owned utilities challenged BPA's settlement agreement in court. Litigation challenging BPA's settlement with the IOUs was filed December 29, 2000 – well before BPA negotiated buydown agreements with the IOUs. The genesis of this payment is as follows:

Market power prices at the time (early 2001) were around \$100/MWh. BPA offered to pay the IOUs \$38/MWh for load buydowns. The IOUs rejected this payment as too low, in view of the risk they faced from the already-filed litigation. BPA then offered to pay \$45/MWh, to be reduced to \$38/MWh if the litigation were later resolved. Both the \$45 and \$38 prices were far lower than BPA's next-best sources of power at the time. The savings from going to \$45 to \$38 equals \$200 million. This is the adjustment, mischaracterized as a litigation penalty. Attempts to resolve the litigation and reduce BPA payments to the IOUs by \$200 million are part of the talks described in the answer to Question 17.



## **Department of Energy**

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

March 26, 2003

In reply refer to: P-6

Dear Customers and Other Interested Parties:

The Bonneville Power Administration (BPA) held three public meetings over the past month where we discussed the causes of our current financial condition and alternative solutions. At the last meeting, BPA suggested a way forward that we believe has real promise to meet the needs expressed by customers and others who attended these meetings. It particularly addresses the importance of minimizing any rate increase in the face of our weakened regional economy. Unfortunately, the fact that we said "no" to the recommendation that we halt the Safety Net Cost Recovery Adjustment Clause (SN CRAC) process seems to have overshadowed the fact that we also suggested an alternative way forward. While our approach would be the subject of the SN CRAC process, I want to describe this alternative more fully so it can be better understood.

But first, I want to summarize some of the major messages we heard at these meetings. We heard that utilities, industries and individual ratepayers are reeling from rate increases and can't handle more. We were told that the economic situation is so bad that BPA should not count on getting more total revenue if it raises rates, because of the ultimate rate effects on retail loads. We heard that BPA should stop the current SN CRAC process and focus on reducing costs.

We heard that any SN CRAC should be year-by-year, not multi-year. We heard strong opposition to a rate increase in 2004 that is driven by BPA's concerns about possible financial results in 2005 and 2006. We were advised that the region cannot afford to have BPA seek to fully meet historical financial standards in these extraordinary times. We heard that a significant problem with the SN CRAC proposal is the belief that it takes the pressure off BPA to reduce costs, because BPA gets an automatic source of revenue to cover higher costs. We heard that BPA must focus heavily on further cost reductions, including its own internal costs as well as all the other costs reflected in power rates.

We also heard from environmental advocates and tribal representatives that expenditures for necessary fish and wildlife mitigation measures should not be cut but instead should be stabilized, and that BPA should comply with the Fish Funding Principles. We heard concerns that BPA should continue to pay Treasury so that we preserve the long-term benefits of the system for the Pacific Northwest.

The problems with a further rate increase have been made clear to us. It is also clear that capturing as much as reasonably possible of the \$754 million in cost reductions and revenue improvements described by customers would help to minimize the need for rate increases. We have been working for months to achieve these cuts and revenue improvements, and we promise to continue to work diligently – both internally and with all other parties – to pursue them. We are getting closer on some reductions, but they are not “in the bag” yet.

We clearly heard the request to halt the SN CRAC process now, in order to focus exclusively on achieving cost reductions. However, as we said at these meetings, we remain concerned that postponement of the SN CRAC process is financially perilous for BPA in FY2004 because of the current lack of certainty about several key opportunities for cost reductions, most of which are not in BPA’s sole control. Consequently, if these cost reductions or revenue enhancements do not materialize, BPA and the region would be confronting a substantially higher rate increase proposal next year than the one we are proposing now. Even with a much higher rate increase, we could still face a significant risk of missing next year’s Treasury payment. These concerns are detailed in Attachment #2.

For this and other reasons, we suggested at the last meeting that there is another way of assuring that cost reductions could result in a substantially reduced effective rate increase, or possibly no effective rate increase in 2004 if we have good luck on water conditions and market prices. We remain open to this and other proposals on the rate case, but I want to clarify the four-point approach we suggested at the March 14 meeting:

1. A variable and contingent rate mechanism could achieve the most important goal of the customer proposal: a significant reduction in any rate increase in October if major cost reductions can be achieved, and possibly no rate increase if cost reductions are coupled with the actual realization of good water conditions and favorable market prices.
2. We could use a TPP standard that is lower than we have historically used, as incorporated in the initial SN CRAC proposal. The determination of the final TPP standard will be part of the SN CRAC process.
3. We could use a rate mechanism that would keep pressure on BPA costs by precluding BPA from recovering any excess controllable internal operating costs in the SN CRAC, if those costs exceed further reduced limits for 2003-2006.
4. Most importantly, we would redouble our efforts to capture prudent cost reductions, both in those internal costs that we control and in working with our generation partners, regional utilities, and others to bring down the costs we don’t directly control. As a part of this, we will create an opportunity for customers and other stakeholders to review and comment on the trade-offs of borrowing, deferring expenses, and additional cost reductions in a manner that can impact final rate levels.

Here's how the approach could work if it were pursued.

First, in the formal SN CRAC process, parties could work on a rate design that would produce a rate that depends on actual financial results in 2003, as already included in the initial staff proposal. We could also look forward and adjust the 2004 rate to capture those additional cost reductions for 2004-2006 that are secured by this August. We believe that this variable and contingent rate design approach could allow for the lowest possible rate while still ensuring a sufficiently high probability of payment to Treasury. The variable approach to the SN CRAC also appears to respond to the strong customer objection to a rate increase in 2004 that is driven by forecasts of financial performance in 2005 and 2006.

The forward-looking contingent aspect of this approach could make the proposed 2004 rates lower if, for example, the investor-owned utilities agree to restructure the BPA financial benefits for their residential and small farm consumers. If water conditions and prices we receive for our secondary sales substantially improve between now and August 1, the variable aspect of the rate structure would incorporate that improvement through a lower SN CRAC increase.

Depending on what cost reductions are achieved, and other changes that occur in BPA's financial picture between now and August, this approach could lead to a substantially reduced effective rate increase in 2004. Cost reductions, coupled with good water conditions and favorable market prices, could result in no rate increase. See Attachment #1 for specific actions that may affect either variable or contingent rates.

Second, with respect to the customer concern that the extraordinary economic times call for a departure from historical financial standards, our initial proposal for the SN CRAC already takes more risk with respect to making our annual Treasury payment than we have taken historically. Our proposal brings TPP up to just 50 percent over the next three years – far lower than historical standards. This low TPP is justified by the multi-year and variable nature of the proposal, which allows us to demonstrate that we have an 80 percent chance of making all Treasury payments, including any "misses," by the end of 2006. We are calling this new measure the Treasury Recovery Probability (or TRP). The issue of whether this is the right standard to use and the level of risk we should take will be a part of the SN CRAC process.

Third, to address the customer concern about reducing pressure on BPA internal costs, we are open to a mechanism that could preclude BPA from recovering any excess controllable internal operating costs in the SN CRAC, if those costs exceed the further reduced limits for 2003-2006.

We would also be willing to institute monthly reporting on costs, at least quarterly meetings to discuss progress on cost reductions and BPA workshops each August that would bring regional focus and attention to BPA, the Corps of Engineers, Bureau of Reclamation, Energy Northwest, fish and wildlife mitigation programs, and other operating and program expenses before the level of any SN CRAC is finalized.

Finally, and most importantly, we will respond to the customer appeal that BPA focus heavily on further cost reductions and on potentially deferring costs in an effort to capture maximum cost reductions by August 1, inside and outside BPA. As a part of this, we will create forums for customers and other stakeholders to discuss costs and the use of ENW refinancing. These forums will explore the trade-offs and risks associated with further cost reductions, cost deferrals and borrowing. Due to the formula rate design described above, results from this process could be

incorporated in any final rate levels for FY2004 and for the remainder of the rate period. Attachment #1 includes the opportunities for actions to lower costs or increase revenues. We will conclude these forums with decisions that will be included in the October rates.

As we proceed with our efforts to minimize the proposed SN CRAC increase, we must not lose sight of potential near and long-term impacts. Further reductions in operations and maintenance costs of our generating partners can reduce rates in the near term, but at the expense of long-term reliability, safety and generation capability. Similarly, use of borrowing to hold down rates now increases rates in the long term while passing costs along to future ratepayers and potentially affecting BPA's future rate levels. We also want to minimize the risk of including overly optimistic cost or revenue assumptions. In seeking to find a way out of our current problems, we want to limit the risk of sowing the seeds for the next financial crisis.

With the joint efforts of BPA and the region to further reduce costs, we believe the alternative approach described above has the potential to substantially reduce the need for a 2004 rate increase. Our approach would keep pressure on BPA's costs and would not give BPA an "easy out" for cost increases. In addition to other proposals, BPA's rates staff are submitting testimony in the rate case that opens the door to formal consideration of such an approach in the rate case. We hope it will receive positive consideration by the parties during the rate proceeding. In the meantime, please join us as we continue to work toward maximum prudent cost reductions.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright", with a stylized, cursive script.

Stephen J. Wright  
Administrator and Chief Executive Officer

2 Attachments

**Attachment #1**  
**Potential Cost Reductions or Revenue Increases for FY2004-2006**

In the SN CRAC process, staff are proposing a rate design that could vary based on actual financial results from the year before the rate goes into effect as well as reflect cost reductions we are reasonably certain of in future years. It's proposed that these variables would be pinned down by the time the actual SN level is set in August of the prior year. Below is an example list of impacts that, under a variable/contingent rate approach, could lead to a substantially reduced rate increase in 2004, or no rate increase if cost reductions are achieved and secondary revenues improve due to favorable hydro and market conditions.

Potential Reductions in Cost or Increases in Revenue, with BPA action plans for each (dollars in millions)	Impact on FY2004 Rate Calculation	Impact over the entire FY2004- 2006 period
1. Improved hydro conditions and/or improved prices we receive for secondary sales in FY2003. <ul style="list-style-type: none"> <li>This improvement is not in our current forecast, but is within the range of possibility given good water conditions and favorable market prices.</li> </ul>	\$75M (\$75M for FY03)	\$75M (\$75M for FY03)
2. Improved hydro conditions and/or improved prices we receive for secondary sales for FY2004-2005. <ul style="list-style-type: none"> <li>This improvement is not our current forecast, but is within the range of possibility given good water conditions and favorable market prices.</li> </ul>	\$0M	\$200M (\$100M for FY04-05 Each)
3. Further reductions in BPA internal operating costs charged to power rates. <ul style="list-style-type: none"> <li>The additional reductions shown here bring BPA internal costs to 2001 actuals, net of revenue offsets. We will commit to managing to these reduced levels.</li> <li>We will define the effects of additional 5% and 10% reductions in internal operating costs to further inform regional discussions.</li> </ul>	\$10 M	\$20 M
4. Further reductions in Corps, Reclamation and/or ENW operations and maintenance costs. <ul style="list-style-type: none"> <li>We are asking ENW, Corps and Reclamation to define the effects of additional 5% and 10% O&amp;M cost reductions, to inform further regional discussion of costs.</li> <li>Benchmarking information indicates that Corps and Reclamation costs are already below industry norms. Benchmarking is less clear for CGS.</li> </ul>	\$?	\$?
5. IOUs restructure benefits for their residential and small farm consumers such that benefits are not paid during this rate period. <ul style="list-style-type: none"> <li>BPA is participating in active discussions with other parties in an attempt to achieve these reductions.</li> </ul>	\$110M	\$220M
6. Publics and IOUs settle litigation over IOU subscription contracts. <ul style="list-style-type: none"> <li>Affects LB CRAC.</li> <li>BPA is participating in active discussions with other parties in an attempt to achieve these reductions.</li> </ul>	\$67M	\$200M
7. BPA successfully renegotiates certain augmentation contracts. <ul style="list-style-type: none"> <li>Active negotiations are underway. Results should be clear by the end of April.</li> </ul>	\$10M	\$30M
8. Reductions in fish and wildlife direct costs and hydro operational costs through more cost-effective achievement of biological goals. <ul style="list-style-type: none"> <li>Continue work with NW Power Planning Council on potential reductions in direct program costs for FY2004-2006.</li> <li>Use Council conclusions from mainstem rulemaking to engage NOAA Fisheries about which measures are appropriate to include in financial projections.</li> <li>Seek additional efficiencies in river operations consistent with biological opinion.</li> </ul>	\$?	\$?
9. Debt management activities such as freeing up reserve accounts and accounting for foregone interest on such accounts, reflecting refinancing savings and swap transactions, and other potential actions.	\$65M	\$81M
10. ENW paying agent settlement and financing of spent fuel storage facility.	\$19M	\$14M
<b>Total</b>	<b>\$356 M</b>	<b>\$840 M</b>
<b>Resulting rate increase over FY2003 effective average rates. If all the possible improvements above occur, an SN CRAC may still be necessary to maintain rates at the 2003 level.</b>	<b>About 0%</b>	<b>Between 0%-5%</b>

**Attachment #2**  
**Effects of Deferring the SN CRAC Process:**  
**High Financial Risks**

- **Additional cost reductions and revenue increases have not been achieved yet.** All of the \$754 million of cost cuts and revenue increases in the customer alternative should be pursued, but none of it can be counted on as assured now, except for \$20 million of BPA internal power-related cost reductions in addition to the \$140 million already done. Virtually all the \$754 million requires the agreement of other institutions that has so far not happened (or requires cooperation of the weather and markets). BPA has been pursuing all of these reductions for months. Virtually none is unilaterally achievable by BPA.
- **Relying on uncertain financial improvements, and then not getting them, could mean financial disaster or a much higher rate increase.** If we defer the SN CRAC process and get none of the \$754 million of financial improvements except \$20 million more in internal cost reductions:

TPP in FY04 with no SN CRAC: 15%

SN CRAC in April 2004 to bring FY04 TPP back to 50%:

59% increase in base rates

37% above FY03 rates

- **Extraordinary cash tools will be needed, even with an SN CRAC.** Extraordinary cash tools, such as use of ENW refinancing proceeds or the Treasury note, are BPA's last line of financial defense. Even with an SN CRAC in FY04, there is high probability that BPA will need these last-defense tools to meet obligations both in the fall of 2003 and the fall of 2004. Using \$100 million of ENW refinancing proceeds to avoid an SN CRAC means that the last line of defense is that much smaller. The SN CRAC is important to replenishing this tool. Without it, BPA's risk of illiquidity and failure to pay Treasury or other creditors could be substantially increased.
- **BPA already has lowered financial standards to mitigate rate impacts.** The rate case standard for TPP is 80% to 88% for five years, translating to over 90% for individual years. The TPP target for individual years in the SN CRAC proposal is 50% in combination with a three-year 'Treasury Recovery Probability' (not TPP) of 80%. Also, in the SN CRAC proposal the power business line can use transmission reserves to achieve a higher TPP, departing from the prior standard of a power-only TPP. Returning to the rate case standard for TPP would require a far higher SN CRAC. We are proposing a lower TPP standard to recognize the severe impacts of a rate increase while still achieving our traditional level of TPP by the end of FY06. See Table 1.

**Table 1**  
**Impacts of TPP Standards on a One-Year SN CRAC**

<b>One-year TPP</b>	<b>Five-year TPP</b>	<b>One Year SN CRAC for FY04 above base rates</b>	<b>Rate increase for FY04 above FY03 rates</b>
PBL – 95.6%	PBL – 88%	66%	42%
BPA – 95.6%	BPA – 88%	58%	37%

- **SN CRAC process deferral probably would mean further credit rating downgrades.**  
BPA's credit rating recently was downgraded by Fitch as well as placed on "negative outlook" by Standard and Poor's, even in view of the expectation that BPA will proceed with the SN CRAC process and shore up its TPP and liquidity positions. Putting off the SN CRAC process could result in additional downgrades, which would add costs and/or cause damage to BPA's debt optimization program, the source of funds that the customers would have us rely on. The S&P report states that a downgrade could be prompted by "the use of any debt restructuring savings to offset current operating expenses....," "failure to implement an adequate SN CRAC....," or "any restructuring of federal Treasury obligations."



### **Additional Notes Regarding Impacts of Different TPP Criteria on a Potential SN CRAC**

- BPA's long-term TPP standard is 95% for a two-year period, equivalent to 88% for a five-year period. BPA relaxed this to 80% for a five-year period during the discussions of the Fish Funding Principles. BPA then applied this to PBL-only rates and cash in the 1996 rate case for FY97-01, and again in the 2002 rate case for FY02-06. This means that the cash reserves attributable to PBL plus the cash flow generated by PBL rates and revenues should have an 88% probability of being sufficient to cover the PBL portions of the Treasury payment for all five years.
- If we look at a one-year SN CRAC, we essentially have a one-year rate period. The one-year TPP that corresponds to an 88% five-year PBL TPP is 95.64%. An SN CRAC for FY04 alone is sufficient to produce a PBL one-year TPP of 95.64% is 66% (above base rates), or an increase in total non-Slice rates from FY03 to FY04 of 42%.
- BPA has proposed to relax this standard by proposing a whole-BPA TPP test for SN CRAC purposes. The 2004 SN CRAC needed to produce a one-year (FY04) TPP of 95.64% is 58% (above base rates), or an increase in total non-Slice rates from FY03 to FY04 of 37%.
- If BPA were to relax the TPP standard further than proposed, and aim for a BPA TPP of 80% for FY04, the needed SN CRAC would be 42% (above base rates), or an increase in total non-Slice rates from FY03 to FY04 of 26%.
- These all assume Initial Proposal data with the additional inclusion of \$20 million in cost cuts BPA already has pledged as part of reducing costs to the level of 2001 actuals (net of offsetting revenues), assuming the \$20 million is achieved in equal parts in FY03 and FY04.

**Table 2**  
**Factors in Support of a Multi-Year SN CRAC Proposal**

	<b>Five Year Equivalent TPP</b>	<b>TPP Criterion</b>	<b>SN CRAC (% over base rates)</b>	<b>Total rate increase above total FY03 (incl. all CRACs)</b>
One Year SN CRAC for FY04	80%	One year at 95.6%	58% for FY04	37% for FY04
3 Year Fixed SN CRAC	80%	Three year at 87.5%	48% for FY04-06	30% for FY04-06
BPA Initial Proposal (variable SN CRAC)	n/a	TRP in FY06 of 80% and FY04-06 TPP of 50%	30% on average for FY04-06 *	15.6% on average for FY04-06 *

Note: The first two cases assume Initial Proposal data with the additional inclusion of \$20 million in cost cuts BPA already has pledged as part of reducing costs to the level of 2001 actuals (net of offsetting revenues), assuming the \$20 million is achieved in equal parts in FY03 and FY04. The initial proposal does not include these. However, if they are included, the impact is less than 1 percentage point (29%, 15.2%). TRP stands for Treasury Recovery Probability, which is the probability of making all Treasury payments by the end of FY06.

- **Is the three-year SN CRAC proposal aimed at rebuilding BPA reserves to original Rate Case levels of \$600 million?** No. The BPA three-year proposal would aim to recover reserves to around \$300 million by the end of FY06 – a level considered minimal.
- **Three-year Treasury Recovery Probability (TRP) allows a lower SN CRAC.** If a one-year SN CRAC is established at a sufficient level to provide an 80% probability that we pay Treasury in FY04 (still low by normal standards), it would have to be extremely high. The three-year approach allows BPA to make the case that we are on path to recovering TPP by FY06 (the 80% TRP standard in FY06).
- **A one-year SN CRAC also risks an extremely high SN CRAC in FY05 and FY06.** If the total financial shortfall is in the ballpark of current BPA estimates, compressing the period of recovery by deferring the SN CRAC process could mean creating a much bigger rate problem in FY05 and FY06. (Having no SN CRAC in FY04 could force the proposed FY05-06 SN CRAC rates to be 1.5 times the size of the proposed FY04-06 SN CRAC.)
- **BPA must set its rates to recover its costs.** We need to demonstrate to FERC that we are setting rates sufficient to cover our costs. Under current rates, assuming that we will have an FB CRAC, we have negative net revenues in each of the four years (FY03-06). (FY04 - \$123M; FY05 -\$117M; FY06 -\$99M; on top of negative net revenues in FY02 and FY03)
- **Year-by-year SN CRAC increases the likelihood of cost deferral and makes clarification of long-term difficult:** Addressing the need for an SN CRAC each year could create a bow wave of losses that would be built up and pushed out past 2006. As long as this prospect exists, BPA's post-2006 cost structure remains more uncertain, making it harder to resolve post-2006 issues

# Congress of the United States

Washington, DC 20515

March 31, 2003

RECEIVED BY: NGA
AL: INSTRUCTIONS
CPC LOG #: 03.0090
RECEIPT DATE: 4.2.03
CPC DATE: 4.16.03

Mr. Stephen J. Wright  
Adminstrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621

ASSIGN: DR-7C  
cc: A-7, D-7, K-7, DC/Wash, L-7, P-6,  
PS-6, PSP-5, DF-2, T/Ditt2

Dear Steve:

We are writing to follow-up on a February 19, 2003, letter we sent to you expressing grave reservations about Bonneville's proposed safety net cost recovery adjustment clause (SNCRAC). We indicated in the previous letter that it was the delegation's belief that Bonneville's proposed SNCRAC should be avoided if at all possible due to the impact it would have on the Northwest economy and consumers' pocketbooks.

The purpose of this letter is to inquire about the status and feasibility of a number of cost cutting and cash management options Bonneville, your cost partners, and your customers have proposed to reduce the projected \$920-950 million net revenue gap from 2002-2006. The letter also inquires about some of the assumptions that underlie the projected budget shortfall.

It is our belief that extraordinary measures must be taken to avoid or minimize a rate increase. We recognize that Bonneville cannot achieve all of the cost reductions or other options on its own. That is why we have copied your cost partners and customers on this letter. We would appreciate it if Bonneville could help gather responses from these entities. We will follow-up as well.

- Recent rain and snowfall in our region appears to have improved the water outlook somewhat. Has Bonneville updated your water assumptions in the SNCRAC process? Does the improved water outlook reduce the projected budget gap? If so, by how much?
- Market prices in the West have regularly hovered above 50 mills/KWh over the last several weeks, at times staying above 100 mills/KWh for extended periods. Have higher market prices increased Bonneville's secondary revenue projections? Has this reduced the projected budget gap?

- Do updated water and market assumptions also change your assumptions about fish credits in a way that reduces the budget shortfall?
- Why is Bonneville insisting on solving a projected budget shortfall through 2006 with a rate increase this year? What are the implications of addressing the shortfall on a year-by-year basis? Given our grave concerns about further deterioration in the regional economy, what would the range of effects be in 2004 of a delay in implementing the SNCRAC?
- We have received conflicting accounts on the role Bonneville's assumptions about financial reserve levels play in the \$920-950 million budget shortfall. What assumptions is Bonneville making about reserve levels? Does Bonneville assume a rebuilding of financial reserves to \$600 million? If not, what levels, on a year-by-year basis, is Bonneville trying to achieve? Is it feasible to reduce your reserve assumptions further, given the economic stagnation in the Northwest, to avoid a rate increase? What would be the consequences of doing so?
- Bonneville has prepaid about \$367 million in federal debt over the last two years by refinancing Energy Northwest debt under the so-called debt optimization plan. Is Bonneville planning to make additional prepayments on the Treasury debt? What does Bonneville gain by making prepayments? What does Bonneville lose by not making these payments? Has Bonneville secured any commitments from the Treasury or the Office of Management and Budget that prepayments could be counted toward an annual Treasury payment in the event of a financial crisis? What are the implications of reserving a portion of Energy Northwest debt refinancing to mitigate a near-term rate increase?
- What is the Treasury Payment Probability (TPP) Bonneville is attempting to achieve in each year through 2006? What is the impact of lowering the TPP in the later years?
- It is our understanding that Bonneville is currently owed more than \$100 million by the California Independent System Operator (CAISO) and various direct service industry (DSI) companies in the Northwest. What steps is Bonneville taking to recover these funds? What do you believe BPA's net exposure to any FERC-ordered refunds may be? Do you expect to be able to mitigate a rate increase by successfully recovering this money?
- We recognize that Bonneville has committed to reducing its internal Power Business Line (PBL) costs to 2001 levels through 2006. However, a number of customers have noted that this means PBL's costs will still be hundreds of millions of dollars above the levels projected in the last rate case and actual 2000 levels. According to a customer letter to Bonneville on September 20, 2002, Bonneville increased the number of PBL staff by 25 percent from 2000-2003, and increased corporate staff by 33 percent. At a time when many utilities and other businesses are reducing staffing due to budget pressures is Bonneville attempting to reduce internal costs to the levels

forecast in the rate case? If not, why not? Is Bonneville making staff reductions? Is Bonneville making real reductions, or merely limiting future increases in costs? Describe the implications of reducing PBL costs to the levels assumed in the May 2000 rate case, both in terms of rates and operations.

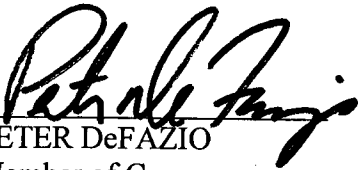
- Bonneville signed hundreds of millions of dollars worth of power purchase and power delivery contracts with Enron. Is Bonneville attempting to renegotiate or terminate high-priced Enron contracts? How much could a settlement of the contracts reduce the projected budget shortfall?
- Is Bonneville or your federal partners deferring capital expenditures that are not necessary for reliability in order to relieve near-term rate pressures? If so, what are the implications?
- The Columbia Generating Station (CGS) was recently off-line for repairs. What impact did this have on Bonneville's bottom line?
- According to last fall's customer letter, projected costs for the CGS are \$85 million higher in FY03 than the rate case forecast. The rate case targeted an operating cost of CGS of 19 mills/KWh. Actual costs are closer to 26 mills/KWh. Why have operating expenses at CGS far exceeded those projected in the rate case? In the customer's September letter, the customers proposed \$188 million in cost reductions and cash tool options for Energy Northwest. The detailed suggestions outlined by the customers were originally provided by Energy Northwest itself. Have these savings been achieved? If not, why not?
- The assumed level of spending on operations and maintenance (O&M) by the Army Corps of Engineers and the Bureau of Reclamation was projected in the rate case to average \$160 million from 2003-2006. However, more recent projections anticipate the Corps and the Bureau will spend an average of \$205 million from 2003-2006. What is contributing to the cost overruns at the Corps and Bureau? Can costs be brought back down to the levels projected in the rate case?
- According to the customers' analysis of the last six years of Bonneville's fish and wildlife (F&W) spending, an average of 84.5 percent of the budget is actually spent in any given year. Has some change in this pattern occurred or is it expected to occur? How does Bonneville account for F&W spending? Is it based on budgeted spending or actual spending?
- Further, we know that Bonneville has asked the Northwest Power Planning Council for assistance in making cuts to the F&W programs. What is the amount of reductions Bonneville is seeking? How does F&W spending compare with projected levels in the rate case? How does 2003-2006 projected spending compare with actual 2001-2002 levels? How does current F&W spending compare with levels in the Biological Opinion?

- Annual benefits to the residential customers of investor-owned utilities (IOUs) went from \$70 million in 1997-2001 to over \$400 million per year in 2002-2006. This jump primarily reflects the buy-down agreements Bonneville negotiated with the IOUs at the height of the energy crisis. IOUs are now receiving 2/3rds of the benefits of the federal system. We understand that the IOUs have agreed to defer a portion of proceeds from the buy-down agreements. Is there additional savings that could be achieved in this area?
- Bonneville agreed to pay a \$200 million litigation penalty to the IOUs in the event that consumer-owned utilities challenged Bonneville's settlement agreement with the IOUs in court. What is the status of negotiations between Bonneville, public utilities, and the IOUs toward eliminating this \$200 million payment, thus mitigating any potential rate increase? If an agreement is stalled, what can be done to move the negotiations forward?

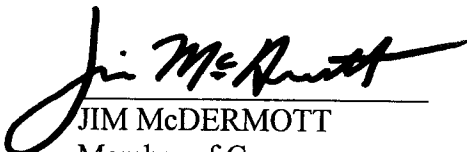
Northwest ratepayers cannot swallow another large rate increase. The aforementioned items have been presented to the congressional delegation as ways to mitigate the rate increase. While we aren't endorsing any particular item, it is clear that several stakeholders have issues on the table that could relieve the pressure on near-term rates. We urge all parties to come together to resolve the out standing cost issues to protect consumers and the Northwest economy.

Thanks for your consideration.


Sincerely,


  
PETER DeFAZIO  
Member of Congress

  
GEORGE NETHERCUTT  
Member of Congress

  
JIM McDERMOTT  
Member of Congress

  
DOC HASTINGS  
Member of Congress

  
NORM DICKS  
Member of Congress

  
GREG WALDEN  
Member of Congress

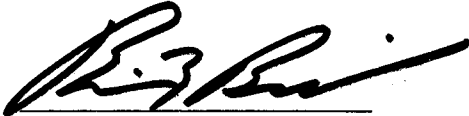
Letter to Steve Wright re: BPA financial crisis  
March 31, 2003



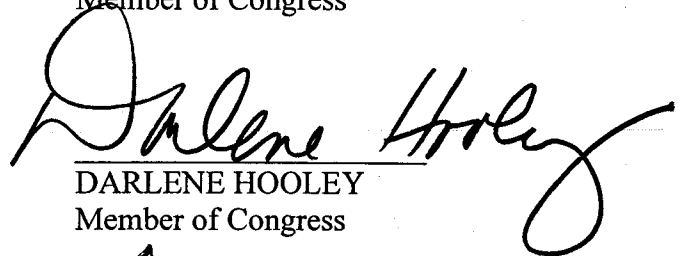
EARL BLUMENAUER  
Member of Congress



JAY INSLEE  
Member of Congress



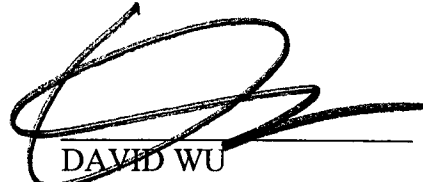
BRIAN BAIRD  
Member of Congress



DARLENE HOOLEY  
Member of Congress



ADAM SMITH  
Member of Congress



DAVID WU  
Member of Congress



RICK LARSEN  
Member of Congress

Cc: Army Corps of Engineers  
Bureau of Reclamation  
National Marine Fisheries Service  
Energy Northwest  
Northwest Power Planning Council  
Public Power Council  
PacifiCorp  
Puget Sound Energy  
Avista Corporation  
Washington Utilities and Transportation Commission  
Oregon Public Utility Commission



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

JUL 3 2003

In reply refer to: PG-5

The Honorable Peter DeFazio  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Representative DeFazio:

This is in response to your letter encouraging Bonneville Power Administration (BPA) to move quickly on the Northwest Power and Conservation Council's (Council) recommendations for summer spill tests on the mainstem Columbia. I sincerely appreciate your interest in and engagement on this important issue.

I strongly support your views and the Council's objective to find out whether similar or even greater biological benefits can be achieved at less cost. We estimate that the current summer spill program has an average revenue effect to BPA of approximately \$70 million annually. Designing the most cost effective summer spill program, consistent with our legal obligations and the objectives of the NOAA Fisheries 2000 Biological Opinion (BiOp), thus presents a significant opportunity for BPA to improve our financial situation.

Even before the Council's 2003 Mainstem Amendments were finalized, BPA, together with the U.S. Army Corps of Engineers, Bureau of Reclamation, NOAA Fisheries and U.S. Fish and Wildlife Service, had planned to reduce spill levels at Ice Harbor in conjunction with research to determine optimum levels of spill for improved survival. This spring, we conducted a similar test of modified spill at John Day. These studies will enhance BPA's revenues by several million dollars this year, with similar savings anticipated for the rest of the rate period.

The federal operating agencies are also considering a no-spill operation at Ice Harbor this summer. Studies at Ice Harbor in 2000 and 2002 point to spillway survival rates of 88 and 89 percent for fall chinook. This is well below the BiOp assumption of 98 percent spillway survival. The high fish injury rate observed in this spring's spillway evaluation at the project would seem to indicate that similarly low spill survival would occur this summer.

Given these consistent and unexpectedly low spillway survival rates, we are understandably concerned about the exposure to ESA listed Snake River fall chinook at Ice Harbor. At the same time, we estimate survival rates through the powerhouse at Ice Harbor to be significantly higher than spillway survival rates. In light of this information, we will evaluate passage through the powerhouse at Ice Harbor this summer, while the problems with spill passage are being resolved.

With these data and other considerations in mind, we are actively pursuing the Council's Mainstem Amendment recommendations for summer spill tests. BPA and our federal agency partners have met with Council members and Council staff to improve our understanding of the Council's recommendations and discuss options for implementation. We looked at the spill research planned for this summer and



whether there were opportunities to modify those plans or implement new research. We also must weigh the potential ramifications of US District Court Judge James Redden's recent remand of the BiOp to NOAA.

We concluded that, given the significant lead times needed, it is simply not possible to fund and design additional scientifically credible tests for 2003. The specific research designs at Ice Harbor and John Day are the product of months of extensive regional input and coordination. We do not have similar lead-time to develop further tests and coordinate them with what we already have planned. Instead, we have begun to scope summer spill research for 2004. We will continue working with Corps and NOAA Fisheries staff to prioritize this research for next year.

We are also pursuing several other measures on the hydrosystem that we expect will achieve the same biological objectives at less cost. A pilot research study is underway related to the potential for changes to turbine operations at McNary Dam. These changes could reduce involuntary spill at the project by allowing more water to be routed through the turbines, increasing generation and BPA power revenues. Finally, we continue to evaluate the operation of a removable spillway weir (RSW) at Lower Granite Dam. The RSW is a surface-oriented fish bypass system that requires less spill for fish passage. It may be applicable at other dams as well.

We are continuing to discuss this summer's hydro system operations with parties in the region, and we may be able to make some reductions in summer spill yet this year under the BiOp's adaptive management framework. The BiOp may allow us to reduce spill operations if the fall Chinook migration timing is earlier than usual or if any biological impacts of a reduced spill regime are accompanied by mitigating actions. Such reductions would require broad regional support to be successfully implemented. In particular, we would work with the Tribes to ensure consistency with our commitments and obligations.

Finally, I want to note that the Council's mainstem recommendations include a range of hydro system operations in addition to summer spill. Some of these recommendations may result in enhancing revenues for BPA, while others may reduce BPA revenues. These recommendations, too, need to be considered.

In summary, BPA strongly supports the Council's goal to achieve biological performance standards in the most cost effective manner. Toward that end, we are implementing a number of measures, including summer spill tests, which will save ratepayer revenues and achieve the same biological benefits. We are charting a course to accomplish this as quickly as possible.

Thank you for your letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright". The signature is fluid and cursive, with the first name "Stephen" and last name "Wright" clearly distinguishable.

Stephen J. Wright  
Administrator and Chief Executive Officer

Congress of the United States  
Washington, DC 20515

May 30, 2003

5. Cooper  
(business response)

LOG #:	03.0168
RECEIPT DATE:	6.3.03
DUE DATE:	6.17.03

Mr. Stephen J. Wright  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621

ASSIGN: **DR-7C**  
cc: A-7, D-7, K-7, DC/Wash, DR-7, L-7, P-6,  
PG-5, KE/KEW-4, Lorri Bodi-A/Seattle,  
Suzanne Cooper-PG-5

Dear Mr. Wright:

We understand that after two years of deliberation the Northwest Power Planning Council ("Council") released its 2003 Mainstem Amendments to the Columbia River Basin Fish and Wildlife Program. This coordinated plan for river operations was created and approved after extensive solicitation of proposals and public comment on the draft plan.

Recognizing the need for continued development of scientific information relating to regional fish recovery strategies, the Council calls for implementation of several studies. One study, relating to summer spill, is in need of immediate attention. As the Council stated:

As a particular focus, the Council calls for NOAA Fisheries, the federal operating agencies, and salmon managers to immediately implement tests to examine the benefits of the current summer spill program for outmigrating juvenile fall chinook, and to determine whether the biological benefits can be achieved in a more effective and less costly manner. *Mainstem Plan, page 15-16.*

This recommendation indicates that it may lead to benefits both to fish and wildlife and to ratepayers in the region who have experienced large increases in wholesale power rates over the last two years. As such, it appears to warrant your immediate consideration so that meaningful tests can be conducted this summer.

Thank you for your consideration.

Sincerely,

  
GREG WALDEN

  
DOC HASTINGS

  
PETER DEFAZIO

  
GEORGE NETHERCUTT

Congress of the United States  
Washington, DC 20515

May 29, 2003

Mr. Bob Lohn  
NW Regional Director  
Regional Director  
National Marine Fisheries Service  
7600 Sand Point Way NE  
Seattle, WA 98115-0070

Dear Mr. Lohn:

We understand that after two years of deliberation the Northwest Power Planning Council ("Council") released its 2003 Mainstem Amendments to the Columbia River Basin Fish and Wildlife Program. This coordinated plan for river operations was created and approved after extensive solicitation of proposals and public comment on the draft plan.

Recognizing the need for continued development of scientific information relating to regional fish recovery strategies, the Council calls for implementation of several studies. One study, relating to summer spill, is in need of immediate attention. As the Council stated:

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Thank you for your consideration.

Sincerely,

  
GREG WALDEN

  
DOC HASTINGS

  
PETER DEFAZIO

  
GEORGE NETHERCUTT

**Congress of the United States**  
**Washington, DC 20515**

May 30, 2003

Colonel Richard W. Hobernicht  
CENWP-DE  
District Engineer  
Portland District  
U.S. Army Corps of Engineers  
333 SW 1<sup>st</sup> Avenue  
Portland, OR 97204-3495

Dear Colonel Hobernicht:

We understand that after two years of deliberation the Northwest Power Planning Council ("Council") released its 2003 Mainstem Amendments to the Columbia River Basin Fish and Wildlife Program. This coordinated plan for river operations was created and approved after extensive solicitation of proposals and public comment on the draft plan.

Recognizing the need for continued development of scientific information relating to regional fish recovery strategies, the Council calls for implementation of several studies. One study, relating to summer spill, is in need of immediate attention. As the Council stated:

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Thank you for your consideration.

Sincerely,

  
GREG WALDEN

  
DOC HASTINGS

  
PETER DEFAZIO

  
GEORGE NETHERCUTT



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

JUL 15 2003

In reply refer to: DR-7C

The Honorable Brian Baird  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Congressman Baird:

Thank you for your letter of June 18, 2003 regarding the possibility of a rate increase in October via the Safety Net Cost Recovery Adjustment Clause (SN CRAC) and its potential impacts on the ailing Washington economy. I appreciate hearing from you and welcome the opportunity to respond, as the condition of the regional economy has been a constant concern of mine.

On July 1, 2003, Bonneville Power Administration (BPA) announced a final rate decision that could mean an increase in wholesale power rates above FY 2003 levels of approximately 5 percent beginning in October – which is significantly lower than the 15 percent rate increase in the initial proposal. We have worked hard to keep the rate increase as low as possible. Since the initial rate proposal in February, we have trimmed costs by about \$80 million for the remainder of the rate period. This is in addition to nearly \$300 million in cost reductions, deferrals, and other actions that were identified prior to the initial rate proposal. In addition, a contract settlement with Enron Corporation has reduced our costs by another \$100 million. And at last the weather has turned in our favor, and improved Northwest water and electricity market conditions have brought in additional revenues from the sale of surplus power.

On another front, BPA has taken several actions that have moved costs to the future, by accelerating cash receipts in the near term or deferring cash payments to later years, that could create lower SN CRAC levels for FY 04-06. You suggest that we work with the Department of Treasury to restructure temporarily BPA's federal debt. BPA already has been working with Treasury to clarify BPA's statutory obligations regarding payment of this debt, as well as to increase communication and coordination between our two agencies. However, I am concerned that delaying Treasury payments would push even more costs into the future which, when combined with actions BPA has already taken, would drive rates higher in the future.

The single outstanding item that could result in a rate decrease in October is the potential settlement of litigation filed by public agency customers challenging benefits to the region's investor-owned utilities (IOU) under their BPA subscription contracts. We are encouraging our customers to continue negotiations toward that end. The methodology that will be used to calculate the level of the SN CRAC, as proposed in our Record of Decision (ROD), has been set

up to accommodate explicitly the impacts of a settlement, if it occurs prior to mid-September. Be assured that I appreciate your continued support in this effort to reach a settlement.

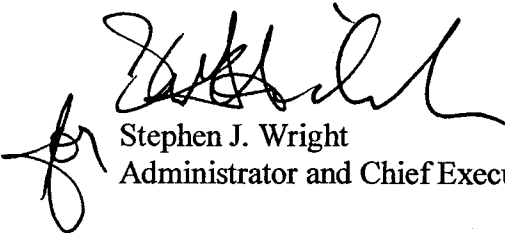
You mention your concerns about Alcoa Intalco's Ferndale smelter – one of BPA's Direct Service Industrial (DSI) customers. As you know, world aluminum prices are in a sustained slump. Payments from BPA have kept Ferndale workers at full pay for the past 21 months. Even with much lower power rates, the highly efficient Ferndale smelter most likely would not be operating now without those payments. BPA will continue these payments through September. By then, our payments will total \$140 million.

You also mention the Kimberly-Clark plant in Everett. Kimberly-Clark is a retail customer of Snohomish County Public Utility District (Snohomish). BPA supplies approximately 80 percent of Snohomish's power needs through its slice and block products. The SN CRAC affects Snohomish's block purchase – which is about 40 percent of its total power supply. As one of the lead litigants over the IOU residential benefit agreements, Snohomish is a key decisionmaker on a potential settlement of this dispute. This settlement is by far the single greatest driver of whether BPA's rates go up or down this fall.

The Northwest's economy has been built on low-cost electric power. BPA supplies about half of the electricity this region uses, and we supply it on a not-for-profit basis. BPA is seeking to get its near-term rates as low as possible, while also trying to avoid decisions that will significantly increase rates in the future. With the recent reduction in our rate proposal, I believe we are making progress toward achieving these twin goals. Now we need the final piece of the puzzle – the litigation settlement – to fall into place. I am hopeful that, working together, we can lower electricity rates and provide for the short and long-term health of businesses and industry in the Northwest.

Again, thank you for taking the time to share your views with me. I look forward to discussing these issues with you in the future.

Sincerely,



Stephen J. Wright  
Administrator and Chief Executive Officer

BRIAN BAIRD  
THIRD DISTRICT, WASHINGTON

COMMITTEE ON THE BUDGET

COMMITTEE ON SCIENCE

COMMITTEE ON TRANSPORTATION  
AND INFRASTRUCTURE

<http://www.house.gov/baird>



**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

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1421 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-3536

June 18, 2003

Stephen J. Wright  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621

03.0184  
6.19.03  
7.03.03

Dear Steve:

I am writing to encourage you to prevent the implementation of an SN CRAC increase and to lower rates for Northwest ratepayers. I recognize BPA has recently projected a reduction in the October 1, 2003 LB CRAC. While this is an encouraging development, I am gravely concerned by BPA's intention to pursue an SN CRAC increase.

I understand from conversations with BPA's industrial customers the U.S. Treasury Department has expressed a willingness to provide BPA some degree of flexibility in fulfilling its Treasury payment obligations. As you know, the SN CRAC cannot be triggered until BPA calculates a less than 50 percent likelihood of fulfilling its obligation to the U.S. Treasury. I encourage you to work with the Department to restructure temporarily BPA's payment on this debt, in a manner consistent with BPA's existing obligations, to ensure the SN CRAC need not be imposed.

As you well know, the economy of southwest Washington is under severe strain. Unemployment in our region is among the highest in the nation, and the entire Northwest is in an extremely precarious economic position. High electricity rates have contributed significantly to our economic situation and any additional rate increase will inevitably lead to additional layoffs. The proposed SN CRAC increase will not simply cost ratepayers 5 percent. For too many, it will cost their jobs.

Indeed, Alcoa recently announced its intention to layoff workers immediately at its Ferndale aluminum plant, in anticipation of a rate increase. Administrators indicate the plant may be forced to close permanently if a substantial increase is imposed. The Kimberly-Clark plant in Everett has experienced an increase in electricity costs from \$11 million to \$20 million since 2001, without an SN CRAC increase. A number of plants in my district have expressed uncertainty about their ability to sustain an additional increase in electricity rates. We simply cannot expect our manufacturing base to remain as electricity rates continue to climb.

I recognize BPA is attempting to recover from costs incurred during the electricity deregulation debacle of 2001. While I applaud BPA's efforts to return financial stability to its operations, I cannot conceive of a more inopportune time to implement an additional rate increase. Raising

ASSIGN: DR-7C

cc: A-7, D-7, K-7, DC/Wash, L-7, P-6,  
PS-6, PL-6, PSP-5, KF-2

Letter to Steve Wright  
June 18, 2003  
- Page Two-

electricity costs for the industrial sector will inevitably dampen the Northwest's economic recovery. I therefore encourage you to abandon a potentially destructive SN CRAC rate increase, and work to lower electricity costs for Northwest ratepayers.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Baird", with a long horizontal flourish extending to the right.

Brian N. Baird  
Member of Congress





## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

JUL 18 2003

In reply refer to: DR-7C

The Honorable Ron Wyden  
U.S. Senate  
Washington, D.C. 20510

Dear Senator Wyden:

Thank you for your letter regarding the possibility of a rate increase in October via the Safety Net Cost Recovery Adjustment Clause (SN CRAC) and its potential impacts on the region's ailing economy. I appreciate hearing from you and welcome the opportunity to respond, as the condition of the regional economy has been a constant concern of mine.

On July 1, 2003, Bonneville Power Administration (BPA) announced a final rate decision that could mean an increase in wholesale power rates above FY 2003 levels of approximately five percent beginning in October -- which is significantly lower than the fifteen percent rate increase in the initial proposal. We have worked hard to keep the rate increase as low as possible. Since the initial rate proposal in February, we have trimmed costs by about \$80 million for the remainder of the rate period. This is in addition to nearly \$300 million in cost reductions, deferrals, and other actions that were identified prior to the initial rate proposal. In addition, a contract settlement with Enron Corporation, which you helped us achieve, has reduced our costs by another \$100 million. Improved Northwest water and electricity market conditions may also bring additional revenues from the sale of surplus power. Indeed, our financial situation has improved significantly since February's initial proposal, and we expect to pay Treasury again at the end of this year on time and in full.

As you point out in your letter, the single outstanding item that could result in a rate decrease in October is the potential settlement of litigation filed by public agency customers challenging benefits to the region's investor-owned utilities (IOU) under their BPA subscription contracts. We are encouraging our customers to continue negotiations toward that end. The methodology that will be used to calculate the level of the SN CRAC, as proposed in our Record of Decision, has been set up to accommodate explicitly the impacts of a settlement, if it occurs prior to mid-September. Your strong support for achieving a settlement of these issues can only help us in our effort to achieve a rate reduction in October. I appreciate your offer to help where needed.

The Northwest's economy has been built on low-cost electric power. BPA supplies about half of the electricity this region uses, and we supply it on a not-for-profit basis. BPA is seeking to get its near-term rates as low as possible, while also trying to avoid decisions that will significantly increase rates in the future. With the recent reduction in our rate increase, I believe we are making progress toward achieving these twin goals. Now we need the final piece of the puzzle --

RON WYDEN  
OREGON

516 Hart Senate Building  
Washington, DC  
20510-3703  
(202) 224-5244

web site:  
<http://wyden.senate.gov/>

United States Senate

WASHINGTON, DC 20510-3703

July 16, 2003

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 03-0215
RECEIPT DATE: 7.17.03
DUE DATE: 7.31.03

Mr. Steve Wright, Administrator  
Bonneville Power Administration  
Box 3621  
Portland, Oregon 97208

ASSIGN: DR-7C

cc: A-7, D-7, K-7, DC/Wash, L-7, P-6, PT-5,  
PS-6, PSP-5, KF-2

Dear Steve:

With the possibility that the Bonneville Power Administration's recent Record of Decision will result in rate increases for Northwest consumers later this year and the adverse impacts that would have on our region's economy, I am writing to urge you to do everything you can to bring about a settlement between the Northwest investor-owned utilities (IOUs) and public power of pending litigation over Bonneville's Residential Exchange settlement agreements. It is my understanding that if a settlement of this litigation can be worked out, this would not only eliminate the need for a rate increase this year, but would even result in a rate *decrease* in the short-term.

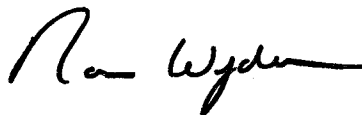
A settlement between IOUs and public utilities would clearly be a win/win proposition for the region. It could save at least \$400 million in the current rate period. That savings would allow Bonneville to reduce current rates by as much as 5-6 percent this year, and it would give regional utilities and consumers greater certainty about Bonneville power for the future. I think all parties in the region should work together to find a way to get to "yes" on a settlement agreement.

Bonneville can play a critical role in this effort. I urge you to do everything you possibly can to bring the parties together and achieve a settlement that will decrease rates for Northwest ratepayers.

I stand ready to do anything I can to bring about a settlement between IOUs and public utilities. In addition to achieving a settlement, I also encourage you to continue to look for other opportunities to bring down Bonneville's internal costs, as well as the costs of Energy Northwest and Bonneville's other cost partners, in order to further reduce rates for Northwest consumers.

Thank you for your prompt attention to this important issue for the region.

Sincerely,



RON WYDEN  
United States Senator

**Committees:**

Budget  
Commerce, Science  
& Transportation  
Energy & Natural Resources  
Environment & Public Works  
Select Committee on  
Intelligence  
Special Committee on Aging

**Oregon State Offices:**

700 NE Multnomah St  
Suite 450  
Portland, OR 97232  
(503) 326-7525

151 West 7th Ave  
Suite 435  
Eugene, OR 97401  
(541) 431-0229

Sac Annex Building  
105 Fir St  
Suite 201  
La Grande, OR 97850  
(541) 962-7691

U.S. Courthouse  
310 West 6th St  
Room 118  
Medford, OR 97501  
(541) 858-5122

The Jamison Building  
131 NW Hawthorne Ave  
Suite 107  
Bend, OR 97701  
(541) 330-9142

707 13th St, SE  
Suite 285  
Salem, OR 97301  
(503) 589-4555

# Wyden to BPA: Settling NW Utility Lawsuits Could Stop Rate Increase for Power Customers

*Deal among BPA, public power and investor-owned utilities could even lead to lower power costs for consumers this year*

July 16, 2003

Washington, DC – U.S. Senator Ron Wyden today urged the Bonneville Power Administration (BPA) to settle ongoing litigation brought by public utilities, saying that the savings of contract costs and legal costs to BPA could ward off a projected rate increase for the utility's Northwest customers and even provide a short-term reduction in rates.

In December 2000, a number of Northwest public power agencies sued BPA over the agreements BPA had struck with investor-owned utilities as part of a program called the "Residential Exchange." That program is designed to allow customers of private, investor-owned utilities to enjoy the lower power costs provided by Federally-affiliated BPA. It allows BPA to provide either cash payments or additional power resources to the investor-owned utilities to keep costs down for those utilities' customers. In their lawsuits, the public power agencies alleged that BPA's Residential Exchange agreements provided more benefits to the investor-owned utilities than the Northwest Power Act allows. These cases are still active today, and BPA is incurring enormous legal costs as they continue.

During the energy crisis of 2001, BPA found that it could not produce enough power to meet its commitments to all its customers. In attempting to reduce the demand for its power during the crisis, BPA agreed to pay investor-owned utilities and others to cut back on their power use. In some of those agreements, BPA also promised to provide litigation protection for the investor-owned utilities – in the form of higher payments per megawatt-hour – as long as the public power lawsuits remained in litigation.

Wyden first broached the idea of settling the public utility lawsuits in a phone call with BPA Administrator Steven Wright last week. In a letter to Wright today, Wyden reiterated that "a settlement between [the investor-owned utilities] and public utilities would clearly be a win-win proposition for the region. It could save at least \$400 million in the current rate period. That savings would allow Bonneville to reduce current rates by as much as five to six percent this year, and it would give regional utilities and consumers greater certainty about Bonneville power for the future."

This week, the public utilities involved in the lawsuits presented a proposal for settlement, agreeing to drop their lawsuits if BPA can find a way to avoid this year's projected rate increase; a rate increase would adversely affect those public utilities because they buy much or all of their power from BPA. A settlement of the public utilities' lawsuits, however, could provide BPA with more than enough savings to avoid the rate increase.

"The public utilities' willingness to settle can provide BPA with the cost savings it needs to avoid a rate increase – and with the cooperation of the investor-owned utilities, BPA can meet the public utilities' condition of avoiding a rate increase simply by working out that settlement," said Wyden. "It's a bit of a circular solution, but in the end it's Northwest ratepayers who win."

If a settlement can be struck, BPA could save an estimated \$200 million or more in projected legal costs for the existing lawsuits; in addition, a settlement will release BPA from its commitment to pay additional fees to investor-owned utilities as long as the lawsuits remained active. That restructuring of BPA's financial obligations will save an additional \$200 million, and help to allow the utility to avoid costs in the next few years that would otherwise require a rate increase.

Wyden's letter urges Administrator Wright to "do everything [he] possibly can to bring the parties together and achieve a settlement." It also encourages BPA to look for other cost savings opportunities to further reduce rates for Northwest consumers.



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

JUL 25 2003

In reply refer to: DR-7C

The Honorable Mike Simpson  
U. S. House of Representatives  
Washington, D.C. 20515

Dear Representative Simpson:

Thank you for your letter of June 26, 2003, regarding your recent appointment to the House Appropriations Subcommittee on Energy and Water, and your interest in staying fully informed on Bonneville Power Administration (BPA) financial issues.

We at BPA are glad to have Northwest representation on this critical Subcommittee. As they review BPA budget submittals and borrowing authority requests, it is important that the members of this Subcommittee be knowledgeable about the current role of Federal power marketing agencies in today's power marketing environment, as well as our historic mission. It is also vital that this Subcommittee hear and consider the concerns of Northwest citizens.

You mention the customers' proposal for a group that would convene regularly to get a better understanding of BPA's costs and revenues. We are meeting with the customers now to scope the process and charter for this group. BPA has been seeking ways to provide more transparency about our cost structure and our financial decisions.

I appreciate your interest in this group. In addition to the customer contacts that you already have, if there is anything I can provide you in helping to follow the group's progress, please let me know.

Again, I am pleased that you are representing the Northwest on the House Appropriations Subcommittee on Energy and Water. Your leadership and involvement continue to be key to achieving our mutual goal of preserving the benefits of the Federal Columbia River Power System for the citizens of the Northwest.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright", is written over a horizontal line.

Stephen J. Wright  
Administrator and Chief Executive Officer

**MIKE SIMPSON**

SECOND DISTRICT, IDAHO

1339 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-5531

CO-CHAIRMAN  
CONGRESSIONAL WTO CAUCUS FOR  
FARMERS AND RANCHERS

CO-CHAIRMAN  
HOUSE BIOTECHNOLOGY CAUCUS



COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEES:

ENERGY AND WATER DEVELOPMENT

LABOR, HEALTH AND HUMAN SERVICES  
AND EDUCATION

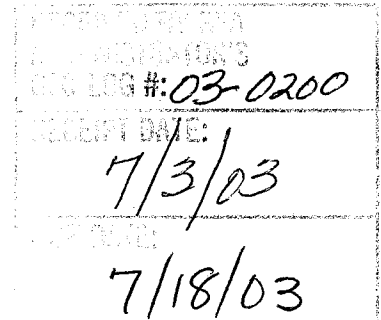
VA, HUD AND INDEPENDENT AGENCIES

## CONGRESS OF THE UNITED STATES

### HOUSE OF REPRESENTATIVES

June 26, 2003

Mr. Stephen J. Wright  
Administrator and Chief Executive Officer  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621



Dear Steve:

Having recently been appointed to the House Appropriations Subcommittee on Energy and Water, I am seeking to remain closely involved in issues relating to the oversight of the Bonneville Power Administration (BPA).

As the only member of the subcommittee from a Northwest state, I hope to be in a position to assist other subcommittee members who have a historic interest in issues surrounding the federal power marketing agencies such as BPA. In order to do this, it will be necessary for me to have a good working knowledge of BPA's policies and decision-making on a prospective basis.

I understand that you received a letter this year dated May 29 from a group of BPA customers requesting a regular and ongoing cost oversight forum that would allow forward-looking involvement in agency budget matters. This is an appropriate request given that your customers are the people most directly affected by the agency's decisions on budgets and rates. Further, I understand that BPA sent a reply to the customers dated June 9 expressing a willingness to pursue such a cost review forum. I appreciate your willingness to work with your customers- the people providing the power to many Idahoans.

In order to fulfill the duties of my position on the Energy and Water Subcommittee in the most effective manner possible, I have asked for and received a commitment from those leading the BPA cost oversight group to provide to me periodic reports on the group's progress. In addition, they will inform me as to the issues discussed in this new forum including any pertinent information relating to BPA's financial situation.

I look forward to working with you as we pursue the shared goal of maintaining the integrity of the Federal Columbia River Power System for all citizens of the Northwest far into the future.

Sincerely,

Mike Simpson  
Member of Congress

Assign: DR-7-C

cc: A-7, D-7, K-7, DC/WASH, KF-2,  
L-7, P-6



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

AUG 08 2003

In reply refer to: DR-7C

The Honorable Gordon Smith  
U.S. Senate  
Washington, DC 20510-3704

Dear Senator Smith:

This is in response to your letter to me of July 23, 2003, expressing your concerns about the impact of a Bonneville Power Administration (BPA) rate increase on the economy of the Pacific Northwest and asking that we do everything possible to avoid it.

I appreciate your support and your ideas during this challenging time. BPA is very sensitive to the impact that we have on the region's economy, and our customers have been vocal about the struggle they would have in absorbing another BPA rate increase. I assure you that BPA has been aggressive in cutting our costs and deferring cash payments into later years. We have repeatedly asked for cost cuts and cost containment from our cost partners. We have been successful in identifying fish and wildlife recovery measures that achieve the same biological objectives at less cost. The U.S. Army Corps of Engineers and Energy Northwest have cut costs through various measures, and we continue to look for more.

As you note, the outstanding item that could result in a Safety-Net Cost Recovery Adjustment Clause (SN CRAC) rate decrease in October is the potential settlement of litigation filed by public agency customers challenging benefits to the region's investor-owned utilities (IOU). This settlement could very nearly bring the SN CRAC to zero. Specifically, we have agreed to a 6.4 percent rate decrease in 2004 if the settlement now being discussed is completed. By comparison, the maximum possible rate reduction with no 2004 SN CRAC is 7.5 percent.

We are strongly encouraging our customers to continue negotiations toward that end. The methodology that will be used to calculate the level of the SN CRAC, as proposed in our Record of Decision, has been set up to accommodate explicitly the impacts of a settlement, if it occurs prior to mid-September. Your strong support for achieving a settlement of these issues can only help us in our effort to achieve a rate reduction in October. I appreciate your offer to help where needed.

You mention the customers' proposal for a group that would convene regularly to get a better understanding of BPA's costs and revenues. BPA has been seeking ways to provide more transparency concerning our cost structure and our financial decisions. We met this week with

the customers to scope the process and charter for this group. We expect to meet monthly, and we will ensure that you get periodic updates on the group's progress.

BPA is seeking to get its near-term rates as low as possible, while also trying to avoid decisions that will significantly increase rates in the future. I believe we are making progress toward achieving those goals, and I value your support and leadership as we continue to pursue them. I am hopeful that, working together, we can lower electricity rates and provide for the short and long-term health of businesses and industry in the Northwest.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright". The signature is fluid and cursive, with the first name "Stephen" and last name "Wright" being clearly legible.

Stephen J. Wright  
Administrator and Chief Executive Officer

# United States Senate

WASHINGTON, DC 20510-3704

July 23, 2003

ASSIGNED TO:	03.0227
ASSIGNED DATE:	7.29.03
FILED:	8.12.03

Mr. Steve Wright  
Administrator  
Bonneville Power Administration  
905 NE 11<sup>th</sup> Street  
Portland, OR 97232

Dear Steve:

I very much appreciate the efforts you and your staff have made over the last year to contain costs and to try to hold down associated rate increases. I realize that many of the financial burdens BPA is currently saddled with are the result of the drought and the market volatility in West Coast energy markets in 2000 and 2001, or of decisions made prior to your becoming Administrator. As always, I am committed to working with you to retain the benefits of the federal Columbia River hydropower system for the ratepayers of the Northwest.

I remain extremely concerned, however, about the impact that the safety net cost recovery adjustment clause (SN CRAC) rate increase could have on the struggling Northwest economy. As you know, Oregon and Washington continue to experience unemployment rates significantly above the national average. Low-cost energy was once the greatest competitive advantage the Pacific Northwest enjoyed, but that advantage is threatened.

It is my understanding that even though you have issued the record of decision on the SN CRAC rate increase, BPA intends to make a contingent recalculation of the SN CRAC in August 2003. I appreciate your commitment to include changes in hydrological conditions, market price impacts, and certain expense reductions from FY 2003 in this recalculation. Between now and then, I would urge you to leave no stone unturned in your efforts to cut costs further, without endangering system reliability or BPA's Treasury payments.

Most importantly, I would urge all of the parties to reach a settlement of litigation brought by certain public agencies concerning the contracts between the investor-owned utilities and BPA. It is imperative that a fair settlement be reached, and that the benefits be applied to holding down rates. It is my understanding that a settlement offers the single greatest opportunity to reduce power-related costs during this rate period and that achieving a settlement would almost certainly lead to a rate reduction in October. Please let me know if there is anything I can do to help accomplish this goal.

**ASSIGN: DR-7C**

cc: A-7, D-7, K-7, DC/Wash, AMorrow-DR7C, L-7,  
P-6, PS-6, PSP-5, KF-2, T/Ditt2



Mr. Steve Wright  
July 23, 2003  
Page 2

In addition, BPA should seek to implement the most cost-effective fish and wildlife measures it can, while continuing to operate in a biologically sound and legally sustainable fashion..

It is imperative that BPA hold down its costs throughout the agency, because even those businesses and homeowners that weather the rate increase this fall will be facing another nine percent rate hike next April when the non-Slice Load Based CRAC is expected to increase again. I also urge you to continue to seek responsible savings in the costs of Energy Northwest, the Army Corps of Engineers and the Bureau of Reclamation that must be recovered through BPA's power rates. I understand that you will be involved in assisting a group of customers with timely information on your costs for their review. I very much appreciate your decision to participate. I have indicated a desire to get periodic updates from that customer group as to how that process is proceeding,

I stand ready to work with you to achieve our mutual goal of providing low-cost power to help restore Northwest economy. Many of the choices will be difficult ones, but historically high power rates are forcing difficult choices on all Northwest ratepayers. I value your leadership and expertise as Administrator during this crucial time.

Sincerely,

A handwritten signature in black ink, appearing to read "G. H. Smith", with a long, sweeping horizontal line extending to the right.

Gordon H. Smith  
United States Senate



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

SEP 02 2003

In reply refer to: DR-7C

The Honorable Gordon H. Smith  
United States Senate  
Washington, D.C. 20510-2602

Dear Senator Smith:

Thank you for your letter of July 25, 2003, regarding the Columbia Basin fishery law enforcement programs of the Nez Perce Tribe, the Confederated Tribes of the Umatilla Indian Reservation, and the Columbia River Inter-Tribal Fish Commission. We are continuing to work in close collaboration with Tribal program representatives to ensure continued support for these important initiatives. I want to make sure that our reply to you is consistent with these mutual efforts.

At the conclusion of the Region's project review process for the Mainstem-Systemwide Province, the Northwest Power and Conservation Council (Council) did not support continued funding of the law enforcement efforts of the Columbia River Treaty Tribes as part of the mix of measures recommended for Fiscal Year 2004 Fish and Wildlife Program funding by the Bonneville Power Administration (BPA). Given the constraints of a limited budget to meet fish and wildlife program needs, the Council recommendation to BPA does not include projects that could be appropriately supported through alternative sources of funding.

We concur in the Council's recommendation in this instance. The Tribal law enforcement efforts in the tributaries and mainstem of the Columbia River are more appropriately funded through Department of the Interior appropriations. As the Council action implies, taxpayer support for law enforcement will allow BPA to target more of our direct program expenditures toward biological opinion requirements, especially the suite of ongoing offsite habitat mitigation measures that also provide Fish and Wildlife Program benefits.

In addition, I have actively sought the Council's assistance and recommendations in managing BPA's Fish and Wildlife Program expenditures during one of the most challenging financial periods in the agency's history. I have committed the agency to a collaborative decision making process that accommodates BPA's financial needs and is responsive to Council judgments. Barring extraordinary circumstances, I feel obliged to manage Fish and Wildlife Program finances in a manner that does not undermine the Council-led process of prioritizing and allocating available funding to meet BPA's mitigation responsibilities under the Northwest Power Act.

We are working toward a manageable and realistic transition that will ensure the continuation of these important and effective fishery conservation and enforcement programs. In its project evaluation and review, the Independent Scientific Review Panel took note of the core contribution of the Tribal law enforcement effort: "...to maximize the cost-effectiveness of BPA funded projects." We simply cannot afford to lose the considerable value of BPA's previous investments – in personnel, equipment and training – that would be precipitated by a lapse of even a few weeks in funding support for these Tribal programs.

BPA is committed to working closely with Tribal representatives to ensure an orderly transition in funding support for these programs in a manner that meets our fish and wildlife mitigation responsibilities. We ask for your continued support as we work with our mitigation partners to identify and secure alternative funding for the Columbia River Tribal law enforcement program.

Sincerely,



Stephen J. Wright  
Administrator and Chief Executive Officer

cc:

Deb Causwell, Acting Executive Director  
Confederated Tribes of the Umatilla  
P.O. Box 638  
Pendleton, OR 97801

Olney Patt Jr., Executive Director  
Columbia River Inter-Tribal Fish Commission  
729 NE Oregon St, Suite 200  
Portland, OR 97232

Michael Penney, Executive Director  
Nez Perce Tribe  
P.O. Box 305  
Lapwai, ID 83540

Judi Danielson, Chairman  
Northwest Power and Conservation Council  
P.O. Box 83720  
Boise, ID 87720-0062

GORDON H. SMITH  
OREGON

COMMITTEES:  
FINANCE

COMMERCE, SCIENCE, AND TRANSPORTATION

ENERGY AND NATURAL RESOURCES

RULES AND ADMINISTRATION

INDIAN AFFAIRS

SPECIAL COMMITTEE ON AGING

# United States Senate

WASHINGTON, DC 20510-3704

*replaces #0216*

July 25, 2003

RECEIVED BY BPA ADMINISTRATOR'S LOG # 03.0222
RECEIPT DATE: 7.25.03
DATE: <del>8.8.03</del> 8.27.03

Mr. Steve Wright  
Administrator  
Bonneville Power Administration  
905 NE 11<sup>th</sup> Street  
Portland, OR 97232

Dear Steve:

I am writing to urge the Bonneville Power Administration to work with the Columbia River Treaty Tribes on their pending requests for funding for tribal conservation efforts in the basin. I realize the financial constraints under which BPA is operating, but I believe it is possible to have a cost-effective fish and wildlife program while continuing to operate in a biologically sound and legally sustainable manner.

Tribal conservation enforcement in the tributaries and mainstem has an immediate, on-the-ground impact and should result in more fish reaching the spawning grounds. As you know, the Tribes have primary enforcement jurisdiction over tribal fishermen. Therefore, I would encourage BPA and the Northwest Power Planning Council to work with the Columbia River Inter-Tribal Fish Commission, the Nez Perce Tribe, and the Confederated Tribes of the Umatilla Indian Reservation to achieve the effective tribal enforcement and harvest monitoring sought by the Tribes in their proposed programs.

I know that BPA is committed to fulfilling its fish and wildlife responsibilities under the Northwest Power Act. I would ask that you give the pending requests their due consideration in fulfilling those responsibilities.

I want to thank you for your consideration of this request, and look forward to your response in the near future.

Sincerely,



Gordon H. Smith  
United States Senate

ASSIGN: DR-7C

cc: A-7, D-7, K-7, DC/Wash, L-7, P-6, PS-6,  
PSP-5, PT-5, KE/KEW-4, Anne Morrow-DR7C,  
John Smith-DT/Spokane



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

SEP 11 2003

In reply refer to: DR-7C

The Honorable Doc Hastings  
U.S. House of Representatives  
2715 St. Andrews Loop  
Pasco, WA 99301

Dear Representative Hastings:

This is in response to your letter to me of August 8, 2003, on behalf of Mr. James O. Hutchinson, President of Ellensburg Cement Products, Inc., (Ellensburg). Mr. Hutchinson requests your assistance with an outstanding debt to Bonneville Power Administration (BPA).

First, you should know that on August 22, 2003, Ellensburg, through its attorneys, paid the debt in full to the U.S. Treasury. Ellensburg has protested the payment and Treasury will now turn the issue over to BPA for resolution of the dispute.

I appreciate the opportunity to provide more information. As you requested, BPA accounts receivable staff and transmission maintenance staff have reviewed Mr. Hutchinson's situation and provided me with the history and documentation of this issue. Since we referred this debt to the U.S. Treasury for collection, by agreement with the Treasury we turned over all communications with the debtor to them. This is why our accounts receivable staff has not been free to discuss this issue with Mr. Hutchinson or his insurance company. Now that the debt has been "returned" to BPA, I am able to clarify some of the issues raised in Mr. Hutchinson's letter.

### **Background on the Incident and Repairs**

In December 2000, BPA was notified that an Ellensburg company truck had caused damage to BPA transmission lines. BPA line crews were dispatched to the site. Over a two-week period (from December 3 to December 16) the crew made emergency repairs to two poles, a cross arm, and a separated conductor. They made temporary repairs to two fiber optic cables. Weather conditions, workload demands, and the complexity of the repair prevented BPA from making permanent repairs to the fiber optic cables at the time. Our crews made permanent repairs to the fiber optic cables in April 2002.

### **Collection Timeline**

In July 2001, BPA billed Ellensburg \$21,049.14 for the cost of the emergency repairs under invoice number MSC-01013RBR2. (The two weeks of labor were billed using standard rates BPA charges to all of our customers in reimbursable contracts for transmission services. In addition to the wages paid to the workers, the rates include the payroll taxes and benefits associated with the employment of these individuals, as well as the administrative support.)

When payment was not received, BPA sent the first demand letter on October 12, 2001. The letter enumerated methods of collection that would follow if the bill were not paid within 60 days. As with all initial collection letters that BPA sends, the letter gave standard statutorily required notification of the penalties and fees that would be added to delinquent debt, including the government's right of administrative offset.

In October 2001, Ellensburg and its insurance company, American States Insurance Company (then Safeco), requested supporting documentation for the amount billed. BPA complied with this request on October 30, 2001. Ellensburg agreed that its truck did indeed cause damage to BPA's transmission lines.

By June of 2002, the invoice for the emergency repairs from the Ellensburg incident was significantly overdue. Since no progress had been made in collections, BPA referred the delinquent debt to Treasury on June 3, 2002. Under the Debt Collection Improvement Act of 1996, delinquent federal debt is required to be referred to the Treasury for collection at 180 days past due. Per BPA's letter of agreement with Treasury, once a debt is at Treasury BPA agrees not to pursue any collection on the debt. Treasury acts as intermediary on BPA's behalf.

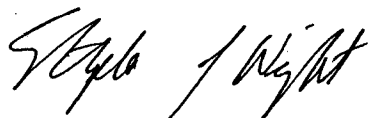
In October 2002, BPA billed Ellensburg \$38,663.58 for the April 2002 repairs to the fiber optics cable, under invoice number MSC-02218. In that same month (October 2002), BPA received an offer from Ellensburg to compromise on the debt on the first invoice. Since additional charges (on invoice number MSC-02218) were outstanding, BPA rejected the offer. In January 2003, Ellensburg paid Treasury the first bill in full, including penalties and fees.

In April 2003, after following our normal collection policy on the second bill, including collection letters with statutory notification requirements, BPA referred the second debt to Treasury. To BPA's knowledge Ellensburg did not request a copy of any backup for the second bill at any time. On August 22, 2003, Ellensburg paid approximately \$46,000 to settle the debt in full, including penalties and interest, and to halt further collections by Treasury. As I mentioned above, Ellensburg has registered a protest about the bill. Treasury will forward the money to BPA within 30 days and return the debt to BPA for resolution of the protest.

I hope this information is helpful to you and to your constituents in understanding the situation. In sum, we are confident that the charges billed to Ellensburg are accurate and reasonable, and that we gave required notification that non-payment would result in referral to U.S. Treasury for debt collection and further penalties and fees being added to the balance.

Thank you for the opportunity to respond.

Sincerely,



Stephen J. Wright  
Administrator and Chief Executive Officer

**DOC HASTINGS**  
4TH DISTRICT, WASHINGTON

**ASSISTANT MAJORITY WHIP**

**COMMITTEE ON RULES**

**COMMITTEE ON THE BUDGET**



1323 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-5816

2715 ST. ANDREWS LOOP  
PASCO, WA 99301  
(509) 543-9396

302 E. CHESTNUT  
YAKIMA, WA 98901  
(509) 452-3243

**Congress of the United States**  
**House of Representatives**

August 8, 2003

RECEIVED BY SFA ADMINISTRATOR'S C/S-LOG #: 03-0256
RECEIPT DATE: 8.11.03
DATE: 8.25.03

Mr. Bart Evans  
Congressional Affairs Office  
Bonneville Power Administration  
PO Box 3621  
MC/DR7C  
Portland, OR 97208

**ASSIGN: DR-7C**  
cc: A-7, D-7, K-7, DC/Wash, DR/WSGL,  
L-7, KF-2, KFR-2, KFRO-2, CK-1

Dear Mr. Evans:

My constituent, Mr. James O. Hutchinson, President of Ellensburg Cement Products, Inc., has contacted me regarding his efforts to facilitate or negotiate a claims settlement between Bonneville Power and Safeco Insurance Co. and to end the lien on their payroll tax accounts that Bonneville Power has ordered from the Department of the Treasury. I have enclosed a copy of related information.

I kindly request that you give this matter a full review and provide me with a response that addresses Mr. Hutchinson's concerns. Please direct your response to my staff assistant, Judy Byrne, at 2715 Saint Andrews Loop, Suite D, Pasco, WA 99301, phone (509) 543-9396, or fax (509) 545-1972.

Thank you for your assistance.

Sincerely,

Doc Hastings  
Member of Congress

DH:jb

Enclosures

## Congressman Doc Hastings Constituent Assistance Authorization Form

Please describe the situation with which you are requesting assistance:

To stop the withdrawal of SS and  
withholding from our account and  
have BPA negotiate claims settlement  
with the Safeco Ins. Co. see attached  
letters

To stop the withdrawal of Social Security and withholding  
from our account and have BPA negotiate claims settlement  
(If you need additional space, please use the back of this page.) with the Safeco Ins. Co. see attached  
letters.

"I hereby request the assistance of the office of Congressman Doc Hastings in resolving the matter  
described above and authorize Congressman Hastings and his staff to receive any information which  
they may need in order to provide this assistance."

This information may also be released to the following person (spouse, parent, attorney, etc.) \_\_\_\_\_

Please Print:

Name Ellensburg Cement Products Inc

Address POB 938

City, State, Zip ELLENSBURG WA 98926

Telephone Home \_\_\_\_\_ Work 509-433-7050

EIN \_\_\_\_\_  
Social Security Number 910-52-3407

Claim, Alien, ID, or other numbers \_\_\_\_\_

Military Personnel Only: Home of Record \_\_\_\_\_

Currently my case is \_\_\_\_\_ or is not \_\_\_\_\_ pending before a federal, state, or local court.  
(please check one)

Signed: James O. Hutchinson Pres. Date: aug-8-03  
James O. Hutchinson, President

Please return this completed form to:

Congressman Doc Hastings  
2715 Saint Andrews Loop, Suite D  
Pasco, WA 99301





SAFECO PROPERTY &amp; CASUALTY INSURANCE COMPANIES

American States Insurance Company  
PO BOX 34754  
SEATTLE, WA 98124

Phone: (425) 376-7272  
Fax: (425) 376-7450

[www.safeco.com](http://www.safeco.com)

Mailing address:  
PO BOX 34754  
SEATTLE, WA 98124

July 18, 2003

State of Washington Insurance Commissioner  
PO Box 40256  
Olympia, WA 98504

Insured Name: Ellensburg Cement Products Inc  
Policy Number: 01CE516826  
Loss Date: December 6, 2000  
Claim Number: 26A003411127

To Whom It May Concern:

Enclosed you will find a copy of a check that was sent to the Dept of Treasury in November of 2002. Bonneville Power has continued to turn this account over to the Treasury. We paid over 30,000.00 in November, and now Bonneville Power is asking for additional \$52,000.00, without any explanation. There isn't anyway that we caused amount of damage, but they won't respond.

Also please see the continuous correspondence we had the Treasury Department, and we finally agreed on the amount, which was paid in full.

Bonneville Power will not communicate with anyone. We have tried on several occasions to talk to Nancy Hagen, Manager of Accounting Operations, and she doesn't provide any explanation of these charges. They turned it over to the Department of Treasury.

We need someone to do something, as this is not legitimate. Ellensburg Cement Products doesn't have any recourse. We also had our expert Steven Bechtold tried to talk Nancy Hagen, and she ignores the calls, and doesn't return them.

Sincerely,

A handwritten signature in cursive script that reads 'Patti Gross'.

Patti Gross

Page 2  
Ellensburg Cement Products Inc  
July 18, 2003

Senior Claim Examiner  
American States Insurance Company

CC: Ellensburg Cement  
Bonneville Power



SAFECO PROPERTY &amp; CASUALTY INSURANCE COMPANIES

American States  
American States Insurance Company  
PO BOX 34754  
SEATTLE, WA 98124

Phone: (425) 376-7272  
Fax: (425) 376-7450

www.safeco.com

Mailing address:  
PO BOX 34754  
SEATTLE, WA 98124

September 27, 2002

LINEBARGER, GOGGAN, BLAIR, PENA &  
SAMPSON, LLP.  
1301 Travis Street Ste-140  
Houston, TX 77002

Insured Name: Ellensburg Cement Products Inc  
Policy Number: 01CE516826  
Loss Date: December 6, 2000  
Claim Number: 26A003411127

Dear Mr. Getzner:

This letter is in reference to our insured, Ellensburg Cement Product, Inc and your account number CB 718256. We would like to take this opportunity to resolve the damages outstanding to Bonneville Power. Why we aren't disputing that we caused any damage, there is a dispute regarding the amount of damages that have been submitted.

American Insurance Company is representing Ellensburg Cement Products, Inc. under their general liability policy and would like to present an offer in good faith to resolve this matter. We aren't submitting Ellensburg Cement Product's financial statement, as we are paying his debt owed to avoid any further delay or penalties in review of the documentation presented to us. In order to conclude this issue, we are willing to present an offer of \$18,419.60 for the debt owed and feel this is reasonable in our opinion.

Thank you for your cooperation and hopefully this matter can be resolved amicable for all parties involved. If you have any questions or concerns, please don't hesitate to contact me directly.

Sincerely,

A handwritten signature in cursive script that reads 'Patti Gross'.

Patti Gross  
American States Insurance Company  
Senior Claim Examiner

Page 2  
Ellensburg Cement Products Inc  
September 27, 2002

CC: Korach & Wilson Insurance, Inc.  
Ellensburg Cement Products, Inc.  
Utilities and Transportation Commission



SAFECO PROPERTY & CASUALTY INSURANCE COMPANIES

American States Insurance Company

POST OFFICE BOX 34754  
SEATTLE, WA 98124

September 17, 2002

Department of the Treasury  
Financial Management Service  
Birmingham, AL 35283-0794  
File # 220100484-475506

Insured Name: Ellensburg Cement Products Inc  
Policy Number: 01CE516826  
Loss Date: December 6, 2000  
Claim Number: 26A003411127

Dear Mr. Wilson:

This is in receipt of your letter dated July 23, 2002.

While we aren't disputing that we caused some damage, we have some real concerns about the amount damages Bonneville Power has charged.

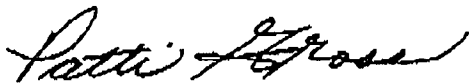
We hired an expert to inspect the site where the damages occurred and we are disputing the amount of damages. It seems a little odd, that you only have \$1,200.00 in materials and \$15,000.00 in labor. We will pay what we owe and no more.

We are going to send you our report on what our expert concluded, regarding his inspection, and will forward this information on to the necessary elected official to get this straighten out. This is ongoing problem with the power companies, and basically laymen people, don't have any recourse. We will continue our efforts to pay what is reasonable.

Please contact me at your earliest convenience to discuss.

Page 2  
Ellensburg Cement Products Inc  
September 17, 2002

Sincerely,



Patti Gross

American States Insurance Company  
patgro@safeco.com  
425 376-7272

cc: Bonneville Power  
Korach & Wilson Insurance  
Ellensburg Cement  
Governor Locke's Office  
KOMO -4 Connie Thompson, Buyer Beware

Enclosure



SAFECO PROPERTY & CASUALTY INSURANCE COMPANIES

American States  
Seattle Region Claims  
PO Box 34700  
Seattle, WA 98124

Phone: (800) 332-3226

[www.safeco.com](http://www.safeco.com)

Mailing address:  
PO Box 34700  
Seattle, WA 98124

October 12, 2001

Boneville Power  
PO Box 60000  
San Francisco, CA 94160-4038

Insured Name: Ellensburg Cement Products Inc  
Policy Number: 01CE516826  
Loss Date: December 6, 2000  
Claim Number: 26A003411127

To Whom It May Concern:

This letter is regarding the claim that has been presented on behalf of our insured Ellensburg Cement. We previously spoke by telephone on a number of occasions, and I tried to impress upon the importance of communicating directly with American States Insurance Company.

Recently I made a telephone call requesting supporting documentation for the enormous amount of labor that has been charged on a job that only had \$1,200.00 in materials and \$15,000.00 in labor. Again I received a telephone call and was told that Sandy talked with her manager. She informed me that there policy is to work directly with the person that caused the damages and that any further documentation would have to be requested by Ellensburg Cement.

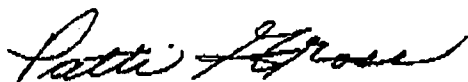
It becomes necessary at this time to advise you of the duties an insurer has under the condition of the policy contract. We have a duty to represent our insured and investigate the claim thoroughly. Ellensburg Cement Company has now asked us to represent us in this matter, just as if an attorney was involved. Boneville Power is presenting a claim in damages over \$21,000.00, so therefore you have the duty to prove your claim. We are requesting the time cards of the individuals that worked on this project and have a breakdown of what each individual did. American States will be the company that will be presenting a check for the damages, once we have all the necessary documents that is necessary to complete and process this claim.

Please advise me where there is any statute or state law that you only deal with the persons that caused the damage, even though Ellensburg Cement has gone through the correct process and reported this to their General Liability Carrier to take care of this matter.

Page 2  
Ellensburg Cement Products Inc  
October 12, 2001

Our intent is to simply conclude our investigation into this matter and we need your cooperation in order to proceed. We ask that you supply us with the information as soon as possible. Thank you for your cooperation.

Sincerely,



Patti Gross  
Seattle Region Claims  
American States  
(800) 332-3226

cc: Washington State Insurance Commissioner's Office  
Ellensburg Cement  
Korach & Wilson Insurance





## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

SEP 11 2003

In reply refer to: DR-7C

The Honorable Maria Cantwell  
U.S. Senate  
Foley Federal Courthouse  
West 920 Riverside, Suite 697  
Spokane, WA 99201

Dear Senator Cantwell:

This is in response to your letter to me of August 9, 2003, on behalf of Ms. Patti Gross, of American States Insurance Company, representing Mr. James O. Hutchinson, President of Ellensburg Cement Products, Inc., (Ellensburg). Ms. Gross requests your assistance with an outstanding debt that Ellensburg owed to Bonneville Power Administration (BPA).

First, you should know that on August 22, 2003, Ellensburg, through its attorneys, paid the debt in full to the U.S. Treasury. Ellensburg has protested the payment and Treasury will now turn the issue over to BPA for resolution of the dispute.

I appreciate the opportunity to provide more information. As you requested, BPA accounts receivable staff and transmission maintenance staff have reviewed Mr. Hutchinson's situation and provided me with the history and documentation of this issue. Since we referred this debt to the U.S. Treasury for collection, by agreement with the Treasury we turned over all communications with the debtor to them. This is why our accounts receivable staff has not been free to discuss this issue with Mr. Hutchinson or his insurance company. Now that the debt has been "returned" to BPA, I am able to clarify some of the issues raised in Ms. Gross's letter and the findings and opinions of Mr. Steven Bechtold of Construction Defect Consulting, the consultant hired to investigate the claim.

### **Background on the Incident and Repairs**

In December 2000, BPA was notified that an Ellensburg company truck had caused damage to BPA transmission lines. BPA line crews were dispatched to the site. Over a two-week period (from December 3 to December 16) the crew made emergency repairs to two poles, a cross arm, and a separated conductor. They made temporary repairs to two fiber optic cables. Weather conditions, workload demands, and the complexity of the repair prevented BPA from making permanent repairs to the fiber optic cables at the time. Our crews made permanent repairs to the fiber optic cables in April 2002.

### **Collection Timeline**

In July 2001, BPA billed Ellensburg \$21,049.14 for the cost of the emergency repairs under invoice number MSC-01013RBR2. When payment was not received, BPA sent the first demand letter on October 12, 2001. The letter enumerated methods of collection that would follow if the bill were not paid within 60 days. As with all initial collection letters that BPA sends, the letter gave standard statutorily required notification of the penalties and fees that would be added to delinquent debt, including the government's right of administrative offset.

In October 2001, Ellensburg and its insurance company, American States Insurance Company (then Safeco), requested supporting documentation for the amount billed. BPA complied with this request on October 30, 2001. Ellensburg agreed that its truck did indeed cause damage to BPA's transmission lines.

By June of 2002, the invoice for the emergency repairs from the Ellensburg incident was significantly overdue. Since no progress had been made in collections, BPA referred the delinquent debt to Treasury on June 3, 2002. Under the Debt Collection Improvement Act of 1996, delinquent federal debt is required to be referred to the Treasury for collection at 180 days past due. Per BPA's letter of agreement with Treasury, once a debt is at Treasury BPA agrees not to pursue any collection on the debt. Treasury acts as intermediary on BPA's behalf.

In October 2002, BPA billed Ellensburg \$38,663.58 for the April 2002 repairs to the fiber optics cable, under invoice number MSC-02218. In that same month (October 2002), BPA received an offer from Ellensburg to compromise on the debt on the first invoice. Since additional charges (on invoice number MSC-02218) were outstanding, BPA rejected the offer. In January 2003, Ellensburg paid Treasury the first bill in full, including penalties and fees.

In April 2003, after following our normal collection policy on the second bill, including collection letters with statutory notification requirements, BPA referred the second debt to Treasury. To BPA's knowledge Ellensburg did not request a copy of any backup for the second bill at any time. On August 22, 2003, Ellensburg paid approximately \$46,000 to settle the debt in full, including penalties and interest, and to halt further collections by Treasury. As I mentioned above, Ellensburg has registered a protest about the bill. Treasury will forward the money to BPA within 30 days and return the debt to BPA for resolution of the protest.

### **Response to Issues Raised by Consultant**

Following are some of Mr. Bechtold's specific observations and conclusions that BPA believes are in error or misleading:

- Mr. Bechtold's report, dated August 7, 2003, states that the hours and number of men on site for repairs seems excessive for a single day of repairs (December 16). While the timesheets provided Mr. Bechtold are all dated December 16, 2000, as noted above, they

include work done over a two week period, December 3-16. Each timesheet shows the amount of hours worked during each day during that time period.

- The emergency repairs included two poles replaced, not just one as Mr. Bechtold mentions in his letter. They also included a cross arm, a separated conductor and temporary repairs to two fiber optic cables.
- Mr. Bechtold contends that the rates are excessive. These are the standard rates BPA charges to all of our customers in reimbursable contracts for transmission services. They do not represent the gross amount paid to workers (as would be inferred from Mr. Bechtold's comparison of prevailing wages). The rates also include the payroll taxes and benefits associated with the employment of these individuals, as well as the administrative support.

In sum, we are confident that the charges billed to Ellensburg are accurate and reasonable, and that we gave required notification that non-payment would result in referral to U.S. Treasury for debt collection and further penalties and fees being added to the balance.

I hope this information is helpful to you and to your constituents in understanding the situation. Thank you for the opportunity to respond.

Sincerely,



Stephen J. Wright  
Administrator and Chief Executive Officer

# United States Senate

WASHINGTON, DC 20510-4705

August 9, 2003

Mr. Steve Wright  
Administrator  
U.S. Department of Energy  
Bonneville Power Administration  
PO Box 3621  
Portland, Oregon 97208

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 03-0257
RECEIPT DATE: 8.13.03
DUE DATE: 8.27.03

**RE:** Ms. Patti Gross                      Claim # 26A003411127  
Senior Claim Examiner  
American States Insurance Company  
PO Box 34754  
Seattle, Washington 98124-1754

**ASSIGN: DR-7C**  
**cc: A-7, D-7, K-7, DC/Wash, DR/WSGL,**  
**L-7, KF-2, KFR-2, KFRO-2, CK-1**

Dear Mr. Wright:

My constituent, Ms. Patti Gross, has contacted my office for assistance with an issue within your jurisdiction. The following document(s) provide an explanation of my constituent's concern or request. I would appreciate your prompt attention to this matter, and I look forward to your response.

Please direct your response to Marsha Moore in my Spokane District Office at Foley Federal Courthouse, West 920 Riverside, Suite 697 Spokane, Washington, 99201. Marsha Moore can be reached via: phone: 509-353-2507, fax: 509-353-2547, or email: marsha\_moore@cantwell.senate.gov.

If I can provide any additional information, please do not hesitate to contact my office. Again, thank you for your assistance in this matter.

Sincerely,



Maria Cantwell  
United States Senator

MC:mm  
Enclosure

PLEASE REPLY TO:

☐ U.S. FEDERAL COURTHOUSE  
WEST 920 RIVERSIDE, SUITE 697  
SPOKANE, WA 99201  
(509) 353-2507  
FAX: (509) 353-2547

☐ JACKSON FEDERAL BUILDING  
915 2ND AVENUE, SUITE 3206  
SEATTLE, WA 98174-1003  
(206) 220-6400  
TOLL FREE: 1-888-648-7328  
FAX: (206) 220-6404

☐ MARSHALL HOUSE  
1313 OFFICERS' ROW  
FIRST FLOOR  
VANCOUVER, WA 98661  
(360) 696-7838  
FAX: (360) 696-7844

☐ 825 JADWIN AVENUE  
G-58-A  
RICHLAND, WA 99352  
(509) 946-8106  
FAX: (509) 946-9377

☐ 717 HART SENATE OFFICE BUILDING  
WASHINGTON, DC 20510-4705  
(202) 224-3441  
FAX: (202) 228-0514



## SAFECO PROPERTY &amp; CASUALTY INSURANCE COMPANIES

American States Insurance Company  
PO BOX 34754  
SEATTLE, WA 98124

Phone: (425) 376-7272  
Fax: (425) 376-7450

[www.safeco.com](http://www.safeco.com)

Mailing address:  
PO BOX 34754  
SEATTLE, WA 98124

August 7, 2003

Senator Maria Cantwell  
#2988  
915 2<sup>nd</sup> Avenue  
Seattle, WA 98174

Insured Name: Ellensburg Cement Products Inc  
Policy Number: 01CE516826  
Loss Date: December 6, 2000  
Claim Number: 26A003411127

Dear Senator Cantwell:

Our insured, Ellensburg Cement Products presented a claim to our office on December 6, 2000, wherein their bucket truck caused damage to a cross arm on a power line. This was located in Thayer's gravel pit in Ellensburg, Wa.

Ellensburg Cement Company immediately notified Bonneville Power. They came out immediately to complete repairs which took one day.

An invoice was submitted. The invoice showed \$1,200.00 in materials and \$15,000.00 in labor. We questioned the amount of labor versus the material needed for repairs.

Bonneville never explained the amounts and submitted this through the U.S. Treasury Department, which we eventually paid \$30,000.00 as a copy of this check has already been submitted.

We hired an expert Steven Bechtold that went out to the site with Jim Hutchinson who is the owner of Ellensburg Cement to review the site. Attached you will see his report.

Our expert and myself on several occasions continue to contact the U.S Treasury through correspondence and have left several messages for Nancy Hagen Accounting Operations Manager for Bonneville Power, which doesn't return calls.

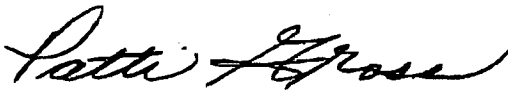
Page 2  
Ellensburg Cement Products Inc  
August 7, 2003

Bonneville is now asking for additional \$52,000.00 for allegedly further work that Bonneville discovered in April of 2002, which we weren't even on the property. We have found on several occasions that the power companies go in and do more than repairs to the damage that was caused. They replace other items that weren't damaged and charge the insured.

Our insured was on this property in December of 2000, and didn't do any further work after that date.

We have now been informed that US Treasury Department without any warning garnished Ellensburg FICA fund of \$11,000.00.

Sincerely,



Patti Gross  
Senior Claim Examiner  
American States Insurance Company

CC: Ellensburg Cement Product  
Korach & Wilson  
Law Firm of William Garcia

## Construction Defect Consulting

6507 28<sup>th</sup> Ave. N.W.  
Seattle, WA 98117-5906  
Tel (206)-789-5504  
Fax (206)-297-8515  
E-mail [sbechtold@qwest.com](mailto:sbechtold@qwest.com)

August 7, 2003

Safeco Insurance Company  
Attn: Patty Gross  
P.O. Box 34700  
Seattle, WA 98124

RE: Bonneville Power  
Insured: Ellensburg Cement Company

Dear Ms. Gross:

As you requested, this is a report to my findings and opinions. You retained Construction Defect Consulting Inc (CDC) on November 30, 2001 to investigate and offer expert opinions regarding the damage to the Bonneville Power Administration overhead transmission line. Damage reportedly occurred on 12/06/00 per Bonneville Power documents.

### Investigation

You notified CDC on November 30, 2001. I contacted Jim Hutchinson and he replied to me that we should probably wait until spring to access the site because of the depth of snow at this remote location.

I met Jim Hutchinson at the Ellensburg Cement office in May of 2002. Access to the site was not a problem and is in a very a remote location. Jim stated that this is the site of the quarry at which they excavate rock. Jim pointed out the location where the track hoe was positioned at the time it hit the overhead lines. I asked Mr. Hutchinson what size trackhoe they own that could possibly damage the overhead power transmission lines that we were looking at. His response was that these are the same lines but Bonneville has installed all new poles. This is a new series of polls. Old lines that were hit did not have as much ground clearance as the new poles. I photographed the new power transmission utility poles and surrounding area. I could clearly see two splices.

I requested the make and model of the track hoe excavator. Jim provided that to me via fax On June 3, 2002. The trackhoe is a Caterpillar 345B Series II Mass. Caterpillar specification cut sheet clearly shows that at maximum reach of 28'10". Existing elevation to the line that was damaged appears have a much greater ground clearance than 28'10". This suggests to me that the new poles installed during the summer of 2001 have greatly increased the ground clearance. This would suggest that the old damaged poles were too short and did not provide adequate ground clearance.

I contacted Nancy Hagon and Sandra Fellin after the site inspection and requested further information. I have reviewed an invoice number MSC-010133RBR2 dated July 27, 2001. I have reviewed WO 00037791, which lists the equipment that was charged to perform the repair of the damaged cable and pole. Equipment charged time is 23 hours. Total man-hours listed equals 190.5 hrs. Using my simple math process of an 8-hour day divided into 190.5 hrs required to perform these repairs. This indicates that there must have been 23 men on site during these repairs. All time sheets that I have reviewed show time charged to this account on 12-16-03 only. I would require an explanation of this time. All time reported is that of Journeyman, Lineman and operators, the highest pay level for an Electrician - Powerline Construction.

On January 15, 2003 I finally received an e-mail with some information and three photos showing a power pole being repaired with equipment that listed on the invoice.

E-mail from Deborah L. Weller to Steven Bechtold.

(I was informed that you would like to see photos from the incident that took place in December 2000 with follow up work due to additional damage to the fiber on the line in April 2002. Damage from Ellensburg Cement driving through our Bonneville Power Administration transmission line. Here is three photos. Please let me know if you need anything else.)

Damage to the power transmission line was in December 2000. Additional work required approximately 17 months later. What was the additional damage to the fiber on line and where is the work order and backup as requested from Deborah Weller? What is the fiber on line?

## CONCLUSIONS

Most claims that subcontractors receive from the various utilities for damages are typically always several month or years since the damaged occurred. In this case it was 8 months. This is outrageous. It makes the claim very difficult to investigate. Facts are not very clear months or even years later. In this case it has been very difficult to extract the information from the various Bonneville Power Administration employees.

- (1) The man-hours charged appear to be excessive without further explanation.
- (2) The hourly rate appears to be excessive. Prevailing wage rate in Kittitas County as of 08/31/2003, which is three years since the repairs were completed, are as follows;

## ELECTRICIANS - POWERLINE CONSTRUCTION

Cable splicer	\$47.12
Journey level lineman	\$42.90
Heavy line equipment operator	\$42.90
Line equipment operator	\$36.21



**Apprentices**

0-1000	60%	\$27.06
1001-2000	65%	\$28.82
2001-3000	71%	\$30.93
3001-4000	81%	\$34.45
4001-5000	85%	\$35.86
5001-6000	89%	\$37.62
6001-7000	93%	\$38.69

- (3) I would request again, what was the experience of the employees that work on this repair.
- (4) What are the hourly rates for each of these employees
- (5) What are Bonneville's costs for these employees?
- (6) Is Bonneville power claiming profit and overhead?
- (7) I question the height of the existing power transmission at the time of the incident in December 2000.
- (8) Why were new taller poles installed in 2001?
- (9) Why were additional repairs required at this remote location 17 months after the repair to a power transmission line 40 to 50 feet in the air?
- (10) Why were these repairs not completed in 2000 or in 2001 when new poles were installed?
- (11) Where is the work order and backup for the additional work?



Steven W. Bechtold, President  
Construction Defect Consulting Inc.

# United States Senate

WASHINGTON, DC 20510-4705

September 9, 2003

Mr. Steve Wright  
Administrator  
U.S. Department of Energy  
Bonneville Power Administration  
PO Box 3621  
Portland, Oregon 97208

**RE:** Ms. Patti Gross                      Claim # 26A003411127  
Senior Claim Examiner  
American States Insurance Company  
PO Box 34754  
Seattle, Washington 98124-1754

Dear Mr. Wright:

On August 9, 2003, I sent the U.S. Department of Energy an inquiry from my constituent, referenced above. Since I have not received a final response on this matter, I ask that you please look into this case and respond at your earliest convenience.

Please direct your response to Marsha Moore in my Spokane District Office at Foley Federal Courthouse, West 920 Riverside, Suite 697 Spokane, Washington, 99201. Marsha Moore can also be reached via: **phone:** 509-353-2507, **fax:** 509-353-2547, or  
**e-mail:** marsha\_moore@cantwell.senate.gov.

If I can provide any additional information, please do not hesitate to contact my office. Again, thank you for your assistance in this matter.

Sincerely,



Maria Cantwell  
United States Senator

MC:mm

PLEASE REPLY TO:

☒ U.S. FEDERAL COURTHOUSE  
WEST 920 RIVERSIDE, SUITE 697  
SPOKANE, WA 99201  
(509) 353-2507  
FAX: (509) 353-2547

☐ JACKSON FEDERAL BUILDING  
915 2ND AVENUE, SUITE 3206  
SEATTLE, WA 98174-1003  
(206) 220-6400  
TOLL FREE: 1-888-648-7328  
FAX: (206) 220-6404

☐ MARSHALL HOUSE  
1313 OFFICERS' ROW  
FIRST FLOOR  
VANCOUVER, WA 98661  
(360) 696-7838  
FAX: (360) 696-7844

☐ 825 JADWIN AVENUE  
G-58-A  
RICHLAND, WA 99352  
(509) 946-8106  
FAX: (509) 946-9377

☐ 717 HART SENATE OFFICE BUILDING  
WASHINGTON, DC 20510-4705  
(202) 224-3441  
FAX: (202) 228-0514

MARIA CANTWELL  
WASHINGTON



United States Senate  
WASHINGTON, DC 20510-4705

November 4, 2003

Mr. Steve Wright  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208

ASSIGN: DR-7C  
cc: FO3, DC/Wash, L-7, P-6, T/Ditt2,  
JCowger-TR-TPP4, SBottemiller-TRV-TPP4

Dear Steve,

I am writing to request your assistance regarding the SnoKing Tap to Monroe-Echo Lake Transmission Line. The SnoKing Tap, which was connected to the Monroe-Sammamish transmission line now connects to the Echo Lake-Monroe transmission line and was originally designed to operate at 500-kV. It is my understanding that it has been operating at 230-kV since it was built in 1970, until September 29, 2003, when voltage was increased to 500-kV.

I am aware that the purpose of the transmission line, and its increased voltage, is to improve reliability in the Puget Sound region. I applaud your efforts to serve the load in the Puget Sound area while ensuring that we will not face blackouts like the Northeast blackout in August 2003.

As you know, the increase in voltage of the SnoKing Tap transmission line has resulted in amplified noise levels. Approximately 200 homeowners live in the immediate vicinity of the transmission lines, and their lives have been interrupted by this loud noise. While I understand that the increased voltage would result in louder noise levels, I am concerned that the noise is louder in fair weather than had been anticipated. I am aware that you are working to find solutions to decrease the noise levels for residents. I would ask that you look into reducing the fair weather noise on the line.

It is critical that we increase the reliability of our transmission grid in the wake of the Northeast blackout. At the same time, however, we must work to ensure that the quality of life of residents near the grids is not compromised unduly by these improvements.

Thank you for your efforts in this matter. I appreciate the work you have done to secure reliability on our transmission lines in the Northwest and also your prompt attention to this issue.

Sincerely,

Maria Cantwell  
United States Senator



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

OCT 03 2003

In reply refer to: DR-7C

The Honorable Rick Larsen  
U.S. House of Representatives  
Washington, D.C. 20515-4702

Dear Representative Larsen:

The Secretary of Energy has asked me to respond to your letter to him of July 31, 2003. In your letter, you express your concerns about the impact of a Bonneville Power Administration (BPA) rate increase on the economy of the Pacific Northwest, specifically on the Alcoa Intalco Works plant in Ferndale, Washington. You ask that BPA do all it can to cut costs and avoid a rate increase.

BPA is very sensitive to the impact that our rates have on the region's economy, and I assure you that we have been aggressive in cutting our costs. Through major BPA cost reductions and deferrals, in addition to debt refinancings, we have reduced our FY 2004 power rate adjustment down to an average of 2.2 percent over FY 2003 rates. (Our initial proposal was 15 percent.) We could reduce that to 7 percent below average FY2003 rates with the settlement of potential litigation over BPA benefits to investor owned utility (IOU) residential and small farm consumers. Our recent rate case incorporates provisions for refunds to our customers if the settlement is successful.

Noting the potential for this rate decrease, Alcoa recently announced that it would continue production at Ferndale until October 15, 2003. BPA payments, a total of \$140 million, have kept Ferndale workers at full pay for the last two years. With world aluminum prices in a sustained slump, the highly efficient Ferndale smelter most likely would not be operating now without those payments – even with much lower power rates. Per our buy-down agreement, BPA payments to Alcoa ended in September.

I believe that BPA is making good progress on getting our near-term rates as low as possible, while at the same time trying to avoid decisions that will significantly increase rates in the future. BPA supplies about half of the electricity this region uses, and we supply it on a not-for-profit basis. I am hopeful that, working together, we can lower electricity rates and continue to support the health of businesses and industry in the Northwest.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright", is located below the "Sincerely," text.

Stephen J. Wright  
Administrator and Chief Executive Officer

Folder Profile	
<b>Control #</b> 2003-012275	<b>Name</b> Referral letter to Secretary Spencer Abraham's from Presid
<b>Priority</b> Essential Critical	<b>Folder Trigger</b> Letter
<b>DOE Addressee</b> Spencer Abraham	<b>Source</b> WH
<b>Subject Text</b> Representative Rick Larsen asks President Bush to urge BPA to cut costs and not increase electricity rates in the Pacific Northwest	<b>Date Received</b> 9/24/2003
<b>Action Office #</b> 568184	<b>Image-In Time</b> 12:32 PM
<b>Signature/Approval</b> BPA	<b>Correspondence Date</b> 9/15/2003
<b>Action Requested</b> Prepare Response	<b>RIDS Information</b> Head of Agency
<b>Special Instructions</b> CI concurrence required. Relates to 2003-010469, which was S-1 courtesy copy.	<b>Sensitivity</b> NA
	<b>Classification</b> None
	<b>Point of Contact</b> SEISERP
	<b>Organization ID</b> EXECCORR2
	<b>Assigned To</b> BPA
	<b>Date Due</b> 10/9/2003
	<b>Date Completed</b>
	<b>Status</b> OPEN

RECEIVED BY: [illegible]
AD: [illegible]
CTG-LOG #: 03-0295
RECEIPT DATE: 9.29.03
DUPLICATE DATE: 10.8.03

ASSIGN: DR-7C

cc: FO3, DC/Wash, P-6, PS-6, PSP-5

**THE WHITE HOUSE OFFICE  
REFERRAL**

September 15, 2003

**TO: DEPARTMENT OF ENERGY**

**ACTION REQUESTED: DIRECT REPLY W/COPY**

**DESCRIPTION OF INCOMING:**

**ID:** 568184  
**MEDIA:** LETTER, DATED JUL 31, 2003  
**TO:** PRESIDENT BUSH  
**FROM:** THE HONORABLE RICK LARSEN  
U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515  
**SUBJECT:** SEEKS THE PRESIDENT HELP IN URGING THE BONNEVILLE POWER  
ADMINISTRATION TO CUT COSTS AND NOT INCREASE ELECTRICITY RATES IN  
THE PACIFIC NORTHWEST

**PROMPT ACTION IS ESSENTIAL – IF REQUIRED ACTION HAS NOT BEEN TAKEN WITHIN 9 WORKING  
DAYS OF RECEIPT, PLEASE TELEPHONE THE UNDERSIGNES AT 456-2590.**

**RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE (OR DRAFT) TO:  
RECORDS MANAGEMENT, ROOM 72, THE WHITE HOUSE, 20500**

**OFFICE OF RECORDS MANAGEMENT - THE WHITE HOUSE**

THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET

ID# 568184

PAGE 1

DATE RECEIVED: 09/02/2003

NAME OF CORRESPONDENT: THE HONORABLE RICK LARSEN

SUBJECT: SEEKS THE PRESIDENT HELP IN URGING THE BONNEVILLE POWER ADMINISTRATION TO CUT COSTS AND NOT INCREASE ELECTRICITY RATES IN THE PACIFIC NORTHWEST

		ACTION		DISPOSITION		
ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION CODE	DATE YY/MM/DD	TYPE RESP	C D	COMPLETED YY/MM/DD
LEGISLATIVE AFFAIRS	DAVID HOBBS	ORG	2003/09/02	DH	A	03/9/10
✓ DOE	ACTION COMMENTS	R	11			11
ACTION COMMENTS:						
ACTION COMMENTS:						
ACTION COMMENTS:						

COMMENTS:

ADDITIONAL CORRESPONDENTS 0

MEDIA: LETTER

INDIVIDUAL CODES:

REPORT CODE:

USER CODE:

ACTION CODES:

A - APPROPRIATE ACTION  
C - COMMENT/RECOMMENDATION  
D - DRAFT RESPONSE  
F - FURNISH FACT SHEET  
I - INFO COPY/NO ACT NECESSARY  
R - DIRECT REPLY W/ COPY  
S - FOR SIGNATURE  
X - INTERIM REPLY

DISPOSITION CODES:

A - ANSWERED  
B - NON-SPEC-REFERRAL  
C - COMPLETED  
S - SUSPENDED

OUTGOING CORRESPONDENCE:

TYPE RESP = INITIALS OF SIGNER  
CODE = A  
COMPLETED = DATE OF OUTGOING

SCANNED  
BY  
ORM

REFER QUESTIONS AND ROUTING UPDATES TO RECORDS MANAGEMENT (ROOM 72, OEOB) EXT-62590 KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

September 10, 2003

Dear Representative Larsen:

Due to mail screening procedures, we have recently received your July 31, 2003 letter addressed to the President regarding electricity rates in the Pacific Northwest.

My staff is reviewing your correspondence for an appropriate response, and we thank you for your patience. Please be assured your letter is receiving our close and careful attention.

If you have any questions or concerns, please contact our Legislative Correspondence Office at (202) 456-5996.

Respectfully yours,

A handwritten signature in cursive script, reading "David Hobbs".

David Hobbs  
Assistant to the President  
for Legislative Affairs

The Honorable Rick Larsen  
U.S. House of Representatives  
Washington, D.C. 20515

Bcc for Appropriate Action: DOE

SEP 11 2003



1529 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-2605

DISTRICT OFFICES:  
104 WEST MAGNOLIA, SUITE 303  
BELLINGHAM, WA 98225  
(360) 733-4500

2930 WETMORE AVENUE, SUITE 9E  
EVERETT, WA 98201  
(425) 252-3188

E-Mail: Rick.Larsen@mail.house.gov  
<http://www.house.gov/larsen>

RICK LARSEN  
2ND DISTRICT, WASHINGTON

**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515-4702

July 31, 2003

568184  
COMMITTEES:  
TRANSPORTATION  
AND INFRASTRUCTURE

AGRICULTURE

ARMED SERVICES

The Honorable George W. Bush  
President  
United States of America  
1600 Pennsylvania Ave. NW  
Washington, DC 20500

Dear President Bush:

I am writing you today to urge your attention to an important economic issue that is currently confronting the Pacific Northwest.

The Bonneville Power Administration (BPA) is proposing a five percent rate increase for electricity to be enacted on October 1, 2003. This increase will have a devastating effect on the Pacific Northwest, specifically on the Alcoa Intalco Works aluminum processing facility located in Ferndale, Washington. The proposed rate increase by the BPA would drastically increase the Intalco plant's energy costs and undermine its competitiveness globally.

The Alcoa Intalco plant is an important facility that supports hundreds of well paying jobs in Whatcom County which would be lost if this increase proceeds. Support in the community for the Ferndale Alcoa Intalco plant is widespread. Local business, tribal, educational, and elected officials have all expressed strong support for the plant staying open, and have vowed to do everything they can in this regard.

I ask you to urge the BPA to do all it can to cut its costs and not increase electricity rates in the Pacific Northwest.

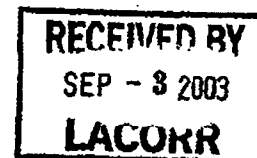
I thank you for your attention to this important matter.

Sincerely,

*Rick Larsen*

Rick Larsen  
Member of Congress

Cc: Spencer Abraham, Secretary of Energy



PRINTED ON RECYCLED PAPER

1193168

U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515-4702

PUBLIC DOCUMENT

OFFICIAL BUSINESS

*Rich Lander*

M.C.

The Honorable George W. Bush  
President  
United States of America  
1600 Pennsylvania Ave. NW  
Washington, DC 20500

11111111111111111111

✓ #131

QC✓ #010

107396



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

OCT 14 2003

In reply refer to: DR-7C

The Honorable C.L. "Butch" Otter  
U.S. House of Representatives  
Washington, DC 20515-1201

Dear Representative Otter:

Thank you for your letter of September 16, 2003, regarding the importance of ocean research to our Region's efforts in helping to rebuild salmon stocks.

As you know, beginning in 2001, record-breaking numbers of listed adult salmon have been returning to the Columbia River each year. The number of fall chinook passing Bonneville Dam this year is the highest since the dam was built in 1938. Snake River spring chinook survival has more than doubled since the conditions in the 1970s.

Regional biologists indicate that good ocean conditions were a major factor in these strong numbers, but there are numerous other factors in the complex salmon lifecycle that also bring to bear. In order to take advantage of good ocean conditions, sufficient numbers of juvenile fish must first make it past the hydrosystem. It is the focused Regional efforts led by Federal, State, Tribal and local entities that have helped to mitigate and enhance the environment where these juvenile salmon get their start.

Bonneville Power Administration (BPA) is pursuing ocean research as an important part of a comprehensive fish and wildlife program, managed through the Northwest Power and Conservation Council (Council). The Council recommended that BPA not fund the two projects that you mention, saying they were more appropriately funded by NOAA Fisheries. BPA has decided to fund them because we want to continue gathering valuable ocean survival data on Columbia Basin stocks. Both projects are joint efforts with the Canadian government's studies of the effect of ocean conditions on Pacific salmon. We are cost sharing them with the Canadian government so that we can collect information specific to Columbia Basin salmon stocks, which is information that the Canadian government would not otherwise pursue.

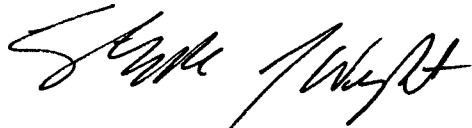
We are funding the Acoustic Tracking Array for Studying Ocean Survival and Movements of Columbia River Salmon at a level of \$200,000 per year in each of FY2004, FY2005, and FY2006 as part of a much larger study that the Canadian government is undertaking with about \$2 million in grants. We are also cost-sharing the Canada-USA Shelf Salmon Survival Study with Canada's Department of Fisheries and Oceans, with BPA providing funding in 1998 through 2003, and Canada providing funding in 2004 and 2005, and BPA providing funding in

the fall 2006. We continue to work closely with other agencies and private foundations that also have a significant stake in the effect of ocean conditions on Pacific salmon to identify joint objectives and cost share essential research.

In all of our fish and wildlife efforts, it is critically important that we understand the effectiveness of our actions in achieving their stated biological objectives. If it can be shown that developing a better understanding of ocean conditions can help BPA to more effectively meet its obligations to endangered fish, then we are interested in pursuing well-designed research projects to help us do that.

Thank you for your interest and leadership in this area. If I can be of more help, please contact me or have your staff contact Robert Austin, BPA's Deputy Director of Fish and Wildlife, at 503-230-4748.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright". The signature is fluid and cursive, with the first name "Stephen" being more prominent than the last name "Wright".

Stephen J. Wright  
Administrator and Chief Executive Officer

C.L. "BUTCH" OTTER  
1ST DISTRICT, IDAHO

COMMITTEE ON  
ENERGY AND COMMERCE

SUBCOMMITTEES:  
ENERGY AND AIR QUALITY

ENVIRONMENT AND HAZARDOUS MATERIALS  
COMMERCE, TRADE, AND CONSUMER PROTECTION



**Congress of the United States**  
**House of Representatives**

Washington, DC 20515-1201

September 16, 2003

1711 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-6611  
FAX: (202) 225-3029  
[www.house.gov/otter](http://www.house.gov/otter)  
Email: [www.house.gov/otter/email.htm](mailto:www.house.gov/otter/email.htm)

RECEIVED BY DPA ADMINISTRATIVE CFO LOG #: 03.0293
RECEIPT DATE: 9.26.03
DATE: 10.9.03

Steve Wright  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621

ASSIGN: ~~DR-7C~~  
cc: FO3, DC/Wash, DR-7, CBrannon-D-7,  
L-7, P-6, LBodi-A/Seattle, PG-5, KE/KEW-4,  
JWilliams-DR/Boise

Dear Administrator Wright,

As the Bonneville Power Administration decides how to allocate the recovery money, I encourage you to consider funding for ocean research. Since salmon spend a large portion of their life in the ocean, it is important to know the impact of ocean conditions on salmon survival needs.

It is my understanding that one of the most prominent scientists involved in researching ocean conditions has been Dr. David Welch, head of the Pacific Biological Station at the University of British Columbia. With the productive and cost effective approach he has taken in the past, I support the funding of his project proposals #35064 and #35065. These are two projects to test means of tracking salmon more accurately during their years in the Pacific.

We share the goal of recovering salmon in the Pacific Northwest and I believe this research will go a long way toward better understanding the salmon's needs for survival. If you have any questions, please contact Jani Revier in my office at 202-225-6611. Thank you in advance for your assistance in this matter.

Sincerely,

C.L. "Butch" Otter  
Member of Congress

CLBO/jlr



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

OCT 14 2003

In reply refer to: DR-7C

The Honorable Larry E. Craig  
U.S. Senate  
Washington, DC 20510-1203

Dear Senator Craig:

Thank you for your letter of September 5, 2003, regarding the importance of ocean research to our Region's efforts in helping to rebuild salmon stocks. As you know, beginning in 2001, record-breaking numbers of listed adult salmon have been returning to the Columbia River each year. The number of fall chinook passing Bonneville Dam this year is the highest since the dam was built in 1938. Snake River spring chinook survival has more than doubled since the conditions in the 1970s.

Regional biologists indicate that good ocean conditions were a major factor in these strong numbers, but there are numerous other factors in the complex salmon lifecycle that also bring to bear. In order to take advantage of good ocean conditions, sufficient numbers of juvenile fish must first make it past the hydrosystem. It is the focused Regional efforts led by Federal, State, Tribal and local entities that have helped to mitigate and enhance the environment where these juvenile salmon get their start.

Bonneville Power Administration (BPA) is pursuing ocean research as an important part of a comprehensive fish and wildlife program, managed through the Northwest Power and Conservation Council (Council). The Council recommended that BPA not fund the two projects that you mention, saying they were more appropriately funded by NOAA Fisheries. BPA has decided to fund them because we want to continue gathering valuable ocean survival data on Columbia Basin stocks. Both projects are joint efforts with the Canadian government's studies of the effect of ocean conditions on Pacific salmon. We are cost sharing them with the Canadian government so that we can collect information specific to Columbia Basin salmon stocks, which is information that the Canadian government would not otherwise pursue.

We are funding the Acoustic Tracking Array for Studying Ocean Survival and Movements of Columbia River Salmon at a level of \$200,000 per year in each of FY2004, FY2005, and FY2006 as part of a much larger study that the Canadian government is undertaking with about \$2 million in grants. We are also cost-sharing the Canada-USA Shelf Salmon Survival Study with Canada's Department of Fisheries and Oceans, with BPA providing funding in 1998 through 2003, and Canada providing funding in 2004 and 2005, and BPA providing funding in the fall 2006. We continue to work closely with other agencies and private foundations that also

have a significant stake in the effect of ocean conditions on Pacific salmon to identify joint objectives and cost share essential research.

In all of our fish and wildlife efforts, it is critically important that we understand the effectiveness of our actions in achieving their stated biological objectives. If it can be shown that developing a better understanding of ocean conditions can help BPA to more effectively meet its obligations to endangered fish, then we are interested in pursuing well-designed research projects to help us do that.

Thank you for your interest and leadership in this area. If I can be of more help, please contact me or have your staff contact Robert Austin, BPA's Deputy Director of Fish and Wildlife, at 503-230-4748.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright". The signature is fluid and cursive, with the first name "Stephen" being more prominent than the last name "Wright".

Stephen J. Wright  
Administrator and Chief Executive Officer

LARRY E. CRAIG  
IDAHO

HART SENATE OFFICE BUILDING  
(202) 224-2752  
FAX (202) 228-1067  
TTY (202) 224-9377

**United States Senate**  
WASHINGTON, DC 20510-1203

**COMMITTEES**

APPROPRIATIONS  
ENERGY AND NATURAL RESOURCES  
JUDICIARY  
VETERANS' AFFAIRS  
CHAIRMAN  
SPECIAL COMMITTEE ON AGING

September 5, 2003

Steve Wright  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621

RECEIVED IN LEA APPROPRIATIONS CFC LOG #: 03-0283
RECEIVED DATE: 9.5.03
DUE DATE: 9.19.03


Dear Steve:

Please review the attached letter from several important constituents discussing the importance of ocean research to our region's efforts to help rebuild salmon stocks. The letter expresses concerns that I have discussed with you very recently.

I would appreciate your comments on the points contained in the attached letter. I know you are very busy handling the difficult tasks you have been strapped with since your tenure as Administrator began, but I think the issues contained in the letter are critically important and need our immediate attention.

Thank you for your assistance and for your continued hard work as Administrator during a very challenging time in our region's history.

Sincerely,

  
Larry E. Craig  
United States Senator

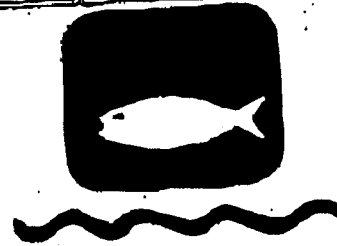
ASSIGN: DR-7C  
cc: FO3, DC/Wash, DR-7, L-7,  
KE/KEW-4, Lorri Bodi-A/Seattle



# Idaho United for Fish and Water

336-8508 (Phone)

342-8595 (Fax)



July 31, 2003

The Honorable Larry E. Craig  
U.S. Senate  
520 Hart Building  
Washington, DC 20510

Dear Senator Craig:

A growing body of evidence suggests that the major impediment to salmon recovery is not dams, inadequate flows, poor upstream habitat nor any of the other easy assumptions. Changing conditions in the areas of the Pacific Ocean – conditions until recently unfavorable to salmon in the regions in which Snake River fish spend most of their lives – seem to be the major problem.

Yet most of the recovery money from the Bonneville Power Administration has historically gone to upstream efforts while comparatively little has been allocated for ocean research. Recent research findings suggest that more study of ocean conditions is a critical component to understanding the life cycle of the fish. We hope you'll support continued funding.

A number of scientists have done extensive preliminary ocean research. Their results tend to indicate that fish from the Columbia-Snake system spend their seagoing years in parts of the ocean in which conditions have, until recently, been poor for their survival. Fish from other systems tend to inhabit other parts of the Pacific in which conditions have been better. Within the past few years, that has changed. These circumstances, if proven true, would explain:

- Why salmon from other, undammed northwest rivers with excellent inland habitat have fared just as poorly as Columbia-Snake fish, and
- Why spring and summer Chinook that went to sea during the Columbia Basin's second-worst drought in history in 2001, when low flows caused a power emergency for BPA, are now returning in near-record numbers.

Additionally, the National Academy of Science could find no evidence that increased river flows benefit salmon survival.

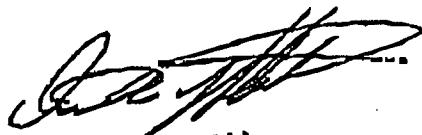
It is our view that the effect of ocean conditions on salmon survival needs to be studied in much more depth and with a much higher priority than at present. We understand that a substantial industry has built up in the area of inland recovery efforts and that competition is fierce for funding. Nevertheless, recent ocean research shows great promise and a science-based funding system should reflect that potential.

One of the most prominent scientists involved in researching ocean conditions has been Dr. David Welch, head of the Pacific Biological Station at the University of British Columbia. We think the need for ocean research is critical and that Dr. Welch's approaches have been productive and cost effective in the past. We hope you will go to the Bonneville Power Administration and urge them to secure the funds for project proposals #35064 and #35065. These are two projects to test means of tracking salmon more accurately during their years in the Pacific.

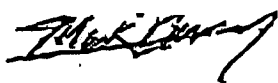
We appreciate your support for effective and economical, science-based solutions to the recovery of endangered species. Thank you for your efforts on behalf of Idaho interests.



Judy Bartlett  
Idaho Farm Bureau Federation



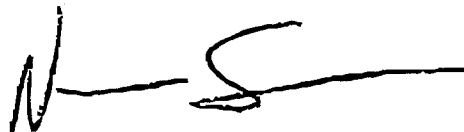
David Doeringsfeld  
Port of Lewiston



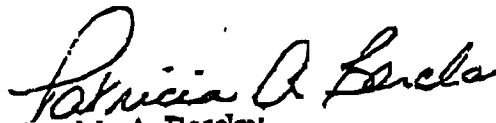
Mark Benson  
Public Affairs Director  
Western Region  
Potlatch Corporation



Steven C. Johnson  
Idaho Grain Producers Association



Norm Semanko  
Idaho Water Users Association



Patricia A. Barclay  
Idaho United for Fish & Water

cc: Governor Dirk Kempthorne  
Judi Danielson, Northwest Power & Conservation Council  
Jim Kempton, Northwest Power & Conservation Council



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

OCT 14 2003

In reply refer to: DR-7C

The Honorable Max Baucus  
U.S. Senate  
Washington, D.C. 20510-2602

Dear Senator Baucus:

By now you will have received the good news that the State of Montana, Flathead Land Trust, and Bonneville Power Administration (BPA) have signed a Memorandum of Agreement for Mitigating Resident Fish Habitat Losses From Libby and Hungry Horse Dams. The agreement provides for BPA to fund the Weaver-McWenegar Slough and Fisher River Projects in Montana out of our FY 2004 budget.

Resolution on this issue is a key landmark. In addition to providing for funding these two conservation easements, it provides the opportunity for BPA to capitalize similar projects within the State of Montana in the future. I commend the parties, as well as the Confederated Salish and Kootenai Tribes and the Kootenai Tribes of Idaho, for their cooperation, hard work, and innovation on this deal. All of the parties, including BPA, were determined to find a way to make this work.

Thank you for your letter and your strong interest in these projects. I look forward to working with you on future projects to protect fish and wildlife in Montana.

Sincerely,

A handwritten signature in black ink, reading "Stephen J. Wright", is located below the "Sincerely," text.

Stephen J. Wright  
Administrator and Chief Executive Officer

cc:

Judi Danielson  
Northwest Power and Conservation Council  
P.O. Box 83720  
Boise, ID 83720-0062

Ed Bartlett  
Northwest Power and Conservation Council  
Capitol Station  
1301 Lockey  
Helena, MT 59620-0805

Fred Matt  
Confederated Salish/Kootenai Tribes of the Flathead  
P.O. Box 278  
Pablo, MT 59855

Sid Rundell, Flathead Lakers  
P.O. Box 70  
Polson, MT 59860

Gary Aitken  
Kootenai Tribes of Idaho  
P.O. Box 1269  
Bonners Ferry, ID 83805

Mary Verner  
Upper Columbia Tribes United  
910 N. Washington, Suite 107  
Spokane, WA 99201

MAX BAUCUS  
MONTANA

WASHINGTON, DC  
(202) 224-2651

MONTANA TOLL FREE NUMBER  
1-800-332-6106

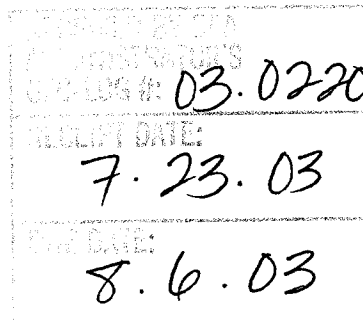
# United States Senate

WASHINGTON, DC 20510-2602

INTERNET:  
max@baucus.senate.gov  
<http://www.senate.gov/~baucus>

July 23, 2003

Mr. Stephen J. Wright  
Bonneville Power Administration  
905 NE 11th Avenue  
PO Box 3621  
Portland, Oregon 97232-3621



Dear Steve:

I am writing to express my extreme outrage at the Bonneville Power Administration's announcement today that it will not fulfill its commitments and promises to the Governor and the people of Montana to fund two important conservation projects in western Montana -- the Weaver-McWenegar Slough and Fisher River projects.

These projects were unanimously approved by the Northwest Power Planning Council through the Councils' fish and wildlife program. The projects met the Council's requirements for scientific review and were found to provide real benefits for fish and wildlife in Montana. The Council recommended these projects to BPA as a way for your agency to meet its legal obligations to Montana under the Northwest Power Act.

Now BPA is falling back on confusing legal and accounting "policy" difficulties to deny any funding to these projects that have been thoroughly vetted by the Council and that were publicly promised funding by BPA. As you know Steve, these projects are leveraged at a rate at least five times to one, meaning the local project sponsors have worked very hard to leverage at least five times the amount promised by BPA. All of this leveraged financing hinges upon BPA fulfilling its commitment to provide its promised funds. BPA's delays have created hardship for real people like James and Donna Buechle who have delayed their retirement pending completion of this project. This spring Mr. Buechle testified before the Northwest Power Planning Council and contacted me about the burden BPA's actions have placed on his family.

**ASSIGN: DR-7C**

**cc: A-7, D-7, K-7, DC/Wash, DR-7,  
KE/KEW-4, DR/MSGL**

BILLINGS  
(406) 657-6790

BOZEMAN  
(406) 586-6104

BUTTE  
(406) 782-8700

GREAT FALLS  
(406) 761-1574

HELENA  
(406) 449-5480

KALISPELL  
(406) 756-1150

MISSOULA  
(406) 329-3123

BPA's action have seriously damaged the ability of local project sponsors in Montana to leverage funds from private sources based upon a funding commitment from BPA, or from any other federal agency for that matter.

I am asking you personally, Steve, to reach an agreement as soon as possible on these two Montana projects so that they can be funded, and I know you can do so without setting any precedent for future Montana projects. I believe that BPA is searching for far more certainty than they need about their ability and authority to fund these projects, and I fear that BPA is taking advantage of this situation to avoid having to fund any future conservation projects in Montana like the Confederated Salish-Kootenai Tribe's project on Flathead Lake.

I understand that BPA is working under a difficult financial situation and that your agency is attempting to resolve larger policy issues relating to the funding of fish and wildlife projects. However, we both know that these larger issues will not be resolved at any time in the near future, and there's no reason why these two Montana projects can't be funded now while these larger issues are resolved.

Moreover, BPA has had more than three years to resolve the issues that have stalemated these projects today, and more than a year ago, BPA was apparently so confident in their ability to fund these projects that you, Steve, took the unique opportunity to pre-announce these projects on behalf of Governor Judy Martz of Montana in a press release.

BPA must honor its commitments to my constituents. I know that there is a way to find an agreement on these projects and to get them the funding they need. I ask for your personal commitment, Steve, to see that these projects are expeditiously and fully funded.

I would like a report back from you prior to your next scheduled conference call with the project stakeholders, by Friday, August 1.

Sincerely,

A handwritten signature in black ink, appearing to read "May Bane", with a long horizontal flourish extending to the right.

cc: Ed Bartlett, Northwest Power Planning Council  
Fred Matt, Salish/Kootenai Tribes  
Sid Rundell, Flathead Lakers



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

OCT 27 2003

In reply refer to: DR-7C

Ms. Sandra Brewer, President  
Pinnacle Investigations  
Pinnacle Professional Services, P.S.  
1306 West Mallon  
Spokane, WA 99201

Dear Ms. Brewer:

Representative George Nethercutt has forwarded your letter of October 6, 2003, regarding your concerns about Bonneville Power Administration (BPA) security procedures. He has asked that I look into the issues you mention and respond directly to you regarding my findings, with a copy to him.

Your letter describes a visit to our headquarters office in Portland, Oregon, and your meeting with Nancy Faber of BPA's contracting staff, and John Soy of the BPA security office. The purpose of your visit was to find out whether BPA would be interested in procuring services from your company, Pinnacle Professional Services. You describe statements the BPA employees made and say that you were "shocked" and "flabbergasted."

Ms. Faber, and Mr. Soy, both have a very different understanding of what was said during your visit of August 12, 2003, and your subsequent phone conversation with Mr. Windus. Details you recount, including the actual date that you say you visited and the claim that the East Coast blackout happened the same day, are not consistent with the facts. There are other inaccuracies, and my staff says the quotes you attribute to them are "gross misstatements" and do not accurately reflect the conversation that you had with them.

I am not going to enumerate all the details of their differences, but two points are important to make. First, as Mr. Windus told you, the Office of Personnel Management (OPM), as well as the Federal Bureau of Investigations, typically conducts the Federal background check for BPA. Civil service personnel rules do not prohibit the Federal government from hiring a person with a felony conviction, but BPA does not employ anyone with a criminal background unless he or she is first cleared through the OPM process. BPA, like all Federal agencies, is guided by the Code of Federal Regulations, Title 5, Part 731, in determining suitability for employment. In addition, we consider the nature and seriousness of the conduct, the nature of the position for which the person is being considered, and the evidence of rehabilitation, among other factors, in considering whether to hire someone with a criminal record.




Second, you voice concern about the security process you encountered on gaining admittance to the building. In fact, all security protocols were followed on the day of your visit. The security officer on duty processed you through the metal detector and identification check. You were allowed into the building without escort because the security officer understood, based upon what you stated, that you were visiting someone in the personnel office. (Ms. Faber does not work in personnel.) However, with that understanding, the security officer issued you a "Human Resources ONLY" special access badge. This badge allows a visitor to access the job announcement rack at the entrance to the personnel office. However, instead of visiting personnel, you walked next door to the Security Office where Mr. Soy works. Mr. Soy telephoned Ms. Faber, who then escorted you to the second floor meeting room that was reserved for your meeting.

BPA prides itself on its security procedures, as well as on the professionalism of our staff. We have been cited by the Department of Energy and held up as a model for other utilities for our vigilance, innovation, and thoroughness in protecting the physical assets of the Pacific Northwest power grid and our contribution to Homeland Security. I do not doubt that you experienced the same level of professionalism and excellence during your visit, so I am at a loss to understand the extreme differences in your version and BPA staff's version of the events.

We appreciate the opportunity we had to discuss the services that your company provides. However, as the staff indicated, we are not in need of such services. I trust this responds to the concerns expressed in your letter.

Sincerely,



Stephen J. Wright  
Administrator and Chief Executive Officer

cc:

Honorable George Nethercutt, Jr.  
U.S. House of Representatives  
Washington, DC 20515-4705



PINNACLE  
PROFESSIONAL  
SERVICES, P.S.

(WA License #601-534-198)

October 6, 2003

TO: Robert Neal

RE: Bonneville Power Security Issues

- Respond to constituent.

- cc: Rep. Nethercutt

RECEIVED BY: [initials]
ADMINISTRATOR'S
OFF-LOG #: 03-0311
10-09-03
DUE DATE: 10-23-03

Dear Mr. Neal,

I contacted you about my security concerns in regard to BPA. You asked me to write a letter to you for Mr. Nethercutt about this issue. As I told you on the telephone, I am an investigator and retired police officer. My company conducts employment backgrounds for corporate and government agencies, including nuclear energy backgrounds. You can visit our website at [www.pinnacleprof.com](http://www.pinnacleprof.com) to get background on our company.

During the last week of August, I visited BPA at their corporate office to see if they would be interested in contracting with my company. When I entered the building, I was asked to sign in, but then I was allowed to walk unescorted, which is against the security process. I met with the assistant head of security and "Nancy" (head of contracting) about a possible contract doing backgrounds. She was extremely nice and encouraging, however, what she told me about their security and employees made me very concerned for our Homeland Security. When asked about employee backgrounds, she informed me that there are "probably 200 felons" in the corporate office that "have access to computer passwords and secure information". I asked her why they would not review employees every year or two, and more importantly, why they would hire convicted felons. She stated, "there's not enough people looking for jobs so we have to hire felons." This statement shocked me. She went on to say that "as long as they didn't target the corporate office" she would be fine. The assistant head of security was present during this conversation and said nothing contrary. When I left this office, I could not believe what I had just heard. I do seminars and training on negligent hiring and identity theft issues and was flabbergasted that this is happening. It just happened that this day was the day the power grids went out back east. They were showing many ways that BPA safeguards security on the television that evening, but security starts with employee backgrounds. **There is an absolute need for social security verifications and full criminal history checks for employees that have the nation's power supply in their hands!!** Because of my concern, I spoke to the head of security the next day and he said to me, "that's Nancy. I've known her for 25 years". He promised to get back to me, but I have never heard from him. Obviously, I am sure that my company's chance to contract out with BPA is gone since I spoke to him, but I did want to let Mr. Nethercutt know of this situation.

Thank you for your time with me on the telephone and please let me know how this will be looked into.

Sincerely,

Sandra Brewer, President  
Pinnacle Investigations

ASSIGN: DR-7C

cc: FO3, DC/Wash, L-7, CT-1 (Windus),  
DT-1 (Berg), CK-1 (Berglund), CK-1 (Faber)

C-A



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

OCT 29 2003

In reply refer to: DR-7C

The Honorable Maria Cantwell  
U.S. Senate  
Washington, DC 20510

Dear Senator Cantwell:

Thank you for your letter of October 1, 2003, expressing your support for our continued effort to reduce our power rates. Bonneville Power Administration (BPA) staff has worked tirelessly with our public and investor owned utility (IOU) customers for several months now to arrive at a workable settlement of the pending litigation over benefits to the IOUs for their residential and small farm customers. As we have told our customers, a successful settlement will reduce the FY 2004 Safety Net Cost Recovery Adjustment Clause (SN CRAC) to zero. This will bring our FY 2004 rates from a 2.2 percent increase over FY 2003 rate levels to a 7.4 percent *decrease*.

With our previous successes in cost reductions, deferrals, and refinancings, as well as our improved revenue picture, we have already reduced the overall FY 2004 rate increase from our initial estimates of 15 percent to the current 2.2 percent. I am very grateful for your support and leadership in achieving those reductions. We are not going to let up on cost management. We are focused on achieving our \$100 million cost reduction/revenue enhancement target for FY 2004 and FY 2005.

We will work closely with our newly formed customer collaborative to share information about our cost structure, our financial results, and our program priorities. We will also provide comparable opportunities to other parties not included in the collaborative.

I will keep you updated on our progress to manage costs and implement improvements to address the issues that we have struggled with since the West Coast energy crisis.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright", is located below the "Sincerely," text.

Stephen J. Wright  
Administrator and Chief Executive Officer

IDENTICAL LETTERS WERE SENT INDIVIDUALLY TO THE FOLLOWING:

Honorable Maria Cantwell  
U.S. Senate  
Washington, DC 20510

Honorable Peter DeFazio  
U.S. House of Representatives  
Washington, DC 20515

Honorable Patty Murray  
U.S. Senate  
Washington, DC 20510

Honorable Norm Dicks  
U.S. House of Representatives  
Washington, DC 20515

Honorable Max Baucus  
U.S. Senate  
Washington, DC 20510

Honorable Ron Wyden  
U.S. Senate  
Washington, DC 20510

Honorable Jay Inslee  
U.S. House of Representatives  
Washington, DC 20515

Honorable Jim McDermott  
U.S. House of Representatives  
Washington, DC 20515

Honorable Rick Larsen  
U.S. House of Representatives  
Washington, DC 20515

Honorable Adam Smith  
U.S. House of Representatives  
Washington, DC 20515

Honorable Greg Walden  
U.S. House of Representatives  
Washington, DC 20515

Honorable Gordon Smith  
U.S. Senate  
Washington, DC 20510

Honorable George Nethercutt, Jr.  
U.S. House of Representatives  
Washington, DC 20515

Honorable Larry Craig  
U.S. Senate  
Washington, DC 20510

Honorable Jennifer Dunn  
U.S. House of Representatives  
Washington, DC 20515

Honorable Mike Crapo  
U.S. Senate  
Washington, DC 20510

Honorable Conrad Burns  
U.S. Senate  
Washington, DC 20510

Honorable C.L. "Butch" Otter  
U.S. House of Representatives  
Washington, DC 20515

Honorable Doc Hastings  
U.S. House of Representatives  
Washington, DC 20515

Honorable Mike Simpson  
U.S. House of Representatives  
Washington, DC 20515

Honorable Darlene Hooley  
U.S. House of Representatives  
Washington, DC 20515

Honorable Jenny Rehberg  
U.S. House of Representatives  
Washington, DC 20515

**Congress of the United States**  
Washington, DC 20510

October 1, 2003

Mr. Steve Wright  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208

**ASSIGN: DR-7C**  
**cc: FO3, DC/Wash, DM-7, L-7, P-6,**  
**PS-6, PSP-5**

Dear Steve,

We continue to be concerned about the effect of high electricity costs on the regional economy and the region's consumers. Bonneville Power Administration's (BPA) power rates have already increased in the last two years by 46 percent to historic high levels, and a further BPA rate surcharge in these difficult economic times must be avoided.

We support the decision of BPA, as part of an overall settlement, to reduce the Safety Net Cost Recovery Adjustment Clause (Safety Net) rate increase for FY 2004 to zero and to commit to aggressive measures to reduce costs and enhance revenue that could result in a zero Safety Net rate increase for FY 2005. We understand that this will result in a much-needed overall BPA power rate decrease of over 7 percent.

We understand that BPA's commitments on a zero Safety Net rate increase in FY 2004 and a meaningful target for a zero Safety Net rate increase in FY 2005 is the primary reason regional utilities and other customers are now willing to agree to a broader settlement, which includes a settlement of a pending Ninth Circuit challenge to the level of power benefits the Investor-Owned Utilities are receiving from BPA. We commend both BPA and regional utilities for continuing to return to the negotiating table and for working diligently to reduce rates for the benefit of the region, and we urge all parties to quickly complete the work necessary to conclude the settlement.

We support the settlement framework and expect BPA to use its best efforts to accomplish the following, as discussed in the settlement documents:

- No Safety Net rate increase in FY 2004, leading to an overall power rate decrease of over 7 percent.
- Make concerted efforts to eliminate the need for a Safety Net rate increase in FY 2005 through pursuing additional revenue enhancements, and cost reductions of approximately \$100 million in FY 2004 and FY 2005. If these cost reductions and revenue enhancements are achieved and all other costs and revenues remain as forecasted in the recently concluded rate case, there will be no Safety Net rate increase in FY 2005.

WASHINGTON ADMINISTRATIVE CFO LOG #: 03.0303
RECEIPT DATE: 10.2.03
DUE DATE: 10.16.03

- Work with customers, other stakeholders and the congressional delegation to achieve these cost reductions and revenue enhancements through an open and cooperative public process. A key feature of this process is the periodic sharing of pertinent actions taken and actions planned to achieve the cost reduction targets and revenue enhancements, as well as timely sharing of pertinent and non-privileged information on BPA's actual and forecasted financial results. As part of this effort, Bonneville should continue to review costs and undertake in its next budget cycle a thorough and transparent financial review.

We recognize that change is never easy and that it took courage for you and senior management to empower Bonneville's employees to express their views on recent decisions that may have contributed to today's financial crisis as part of your "Lessons Learned" exercise. We also recognize that the Bonneville decisions described in the April 18 and May 6, 2003, "Lessons Learned" memoranda were made in a particular context, and that many decisions leading to the current difficulties predated your tenure as Administrator. But in addition to these external pressures, we believe that—as with the rest of the industry--there are a number of other long-term issues and challenges that Bonneville must address in order to adequately respond to the lessons of the past few years. We understand that implementation of the recommendations resulting from the "Lessons Learned" process is under way, and we ask you to provide us with an update on your progress within 120 days.

In addition, we understand that the utility business has become exceedingly complex in the past decade. In keeping with the broader trend within the industry as a result of recent volatility in energy and financial markets, Bonneville--in consultation with stakeholders and customers--should explore new mechanisms to ensure that best practices are observed when it comes to the agency's business and financial dealings and advise us of your conclusions when you report to us on your progress implementing the recommendations from the Lessons Learned review.

Reaching settlement of the public/IOU litigation and addressing the challenges that you and your staff have identified are surely daunting tasks. However, we sincerely appreciate your efforts thus far to alleviate the impact further rate increases would have on our already-staggering regional economy. We commend you for reaching an agreement that will result in a rate reduction this year, and for taking concerted steps that --if cost reductions and revenue enhancements are achieved and other factors remain as forecasted - will result in further rate relief in FY 2005. We are committed to working with you to address the challenges confronting the agency in a manner that will ensure BPA is able to keep rates as low as possible, consistent with its legal obligations, social responsibilities and sound business principles for decades to come.

We realize that many of BPA's resources will be devoted to completing settlement of the rates issue in the coming months, and stand ready to assist you in this endeavor. If at any point it appears that the elements of this settlement cannot be met, we urge you to inform us promptly of the fact, the reasons, and what reasonable alternatives can be pursued to avoid unwanted rate increases. Under such circumstances, we would expect to convene a forum on these issues, given their extreme importance to the regional economy.

Again, thank you for all hard work on behalf of Northwest ratepayers.

Sincerely,



Maria Cantwell



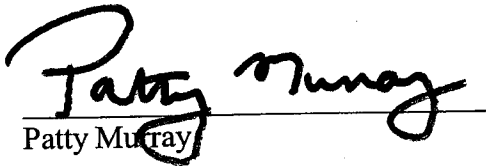
Gordon Smith



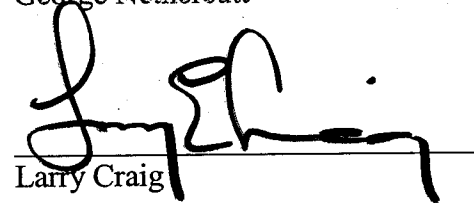
Peter DeFazio



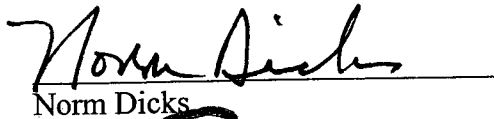
George Nethercutt



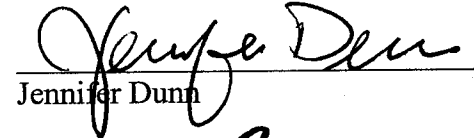
Patty Murray



Larry Craig




Norm Dicks



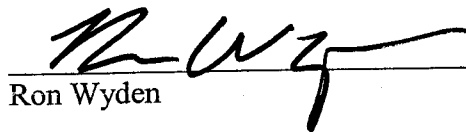
Jennifer Dunn




Max Baucus



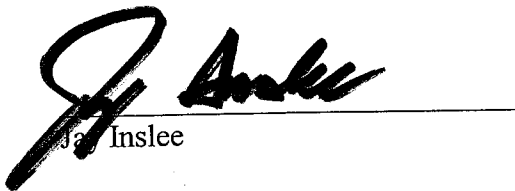
Mike Crapo



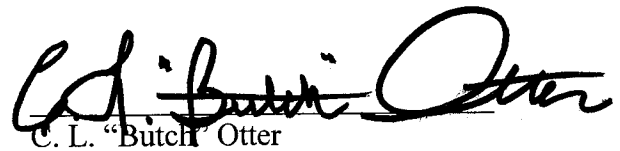
Ron Wyden



Conrad Burns



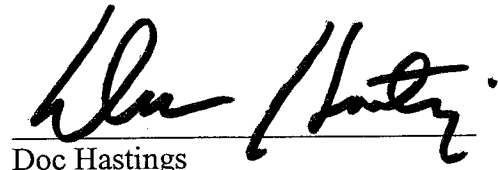
Jay Inslee



C. L. "Butch" Otter

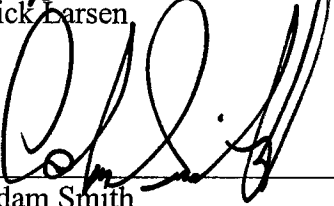


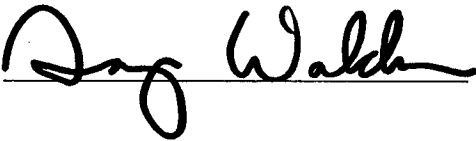
Jim McDermott



Doc Hastings

  
Rick Larsen

  
Adam Smith



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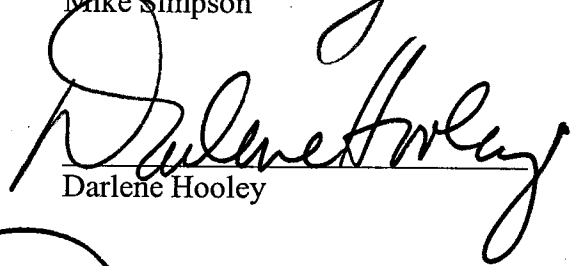
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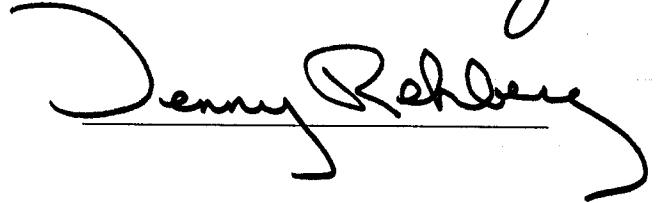
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Mike Simpson

  
Darlene Hooley



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## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

OCT 29 2003

In reply refer to: DR-7C

The Honorable Brian Baird  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Baird:

Thank you for your letter of September 26, 2003, expressing support for a new wind storage and shaping product that Bonneville Power Administration (BPA) is planning to offer soon. We, too, are excited about its possibilities.

BPA has helped to develop, and has acquired, a substantial inventory of wind energy over the years. However, as you point out, our financial difficulties limit our ability to purchase more renewable resource output. To continue to help facilitate wind energy development in the Pacific Northwest, BPA can still take advantage of the unique storage capability of the invaluable Federal Columbia River Power System (FCRPS).

The proposed wind storage and shaping product will use the flexibility of the FCRPS to eliminate the hour-to-hour uncertainty of wind. The FCRPS would in effect store the intermittent wind energy, to be shaped and redelivered to purchasers in planned amounts at a later time. The product is designed to expose the agency to minimal financial risk. In fact, we have structured the product to have a positive, albeit modest, impact on BPA's net revenues under most water conditions.

BPA hopes this wind energy product, once it is available, will encourage our public customers, tribal interests and investor owned utilities to invest in more wind energy. We think this is the best role for BPA to play in the region, and one that fulfills our public purposes. We are actively seeking creative ways to use our unique position as a Federal agency and marketer of the FCRPS to facilitate development of renewables with limited direct acquisition of power.

I very much appreciate your outspoken support and your leadership. I look forward to working with you in this and other similar projects to meet the environmental and economic needs of the Pacific Northwest.

Sincerely,

A handwritten signature in black ink, reading "Stephen J. Wright", is located below the "Sincerely," text.

Stephen J. Wright  
Administrator and Chief Executive Officer

BRIAN BAIRD  
THIRD DISTRICT, WASHINGTON



COMMITTEE ON THE BUDGET  
COMMITTEE ON SCIENCE  
COMMITTEE ON TRANSPORTATION  
AND INFRASTRUCTURE

<http://www.house.gov/baird>

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

DISTRICT OFFICES:  
1220 MAIN STREET, SUITE 360  
VANCOUVER, WA 98660  
(360) 695-6292

120 UNION AVENUE SE, SUITE 105  
OLYMPIA, WA 98501  
(360) 352-9768

WASHINGTON, DC OFFICE:  
1421 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-3536

September 26, 2003

Steve Wright  
Administrator  
Bonneville Power Administration  
Post Office Box 3621  
Portland, OR 97208-3621

RECEIVED BY BPA ADMINISTRATOR OFC-LOG #: 03-0304
RECEIPT DATE: 10-06-03
DUE DATE: 10-20-03

Dear Steve:

I am writing to express my strongest support for BPA's proposal to offer Storage and Shaping service for wind generation projects located in the Pacific Northwest. Undoubtedly, this innovative service will promote the development of additional renewable energy technologies in our region, and may serve ultimately to lower energy prices in the Pacific Northwest.

I recognize BPA's current financial predicament prevents the agency from providing financial resources directly to wind generation facilities. I therefore applaud this innovative proposal, which would provide an incentive to public and private entities to develop wind generation facilities by helping to integrate power produced from such facilities into the federal transmission system. Potentially, this unique service will help stabilize energy prices, stimulate economic growth, and protect fragile environmental resources. I am particularly pleased BPA is working on a solution intended to accomplish such admirable objectives without necessitating an increase in BPA's transmission rates.

In closing, I applaud BPA for drafting this proposal, and I strongly support its implementation. If I may be of assistance in this matter, please do not hesitate to contact me.

Sincerely,

Brian N. Baird  
Member of Congress

ASSIGN: DR-7C  
cc: FO3, DC/Wash, L-7, P-6, PT-5, DM-7,  
Cindy Custer-DR/WSGL



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

NOV 12 2003

In reply refer to: DR-7C

The Honorable Doc Hastings  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Hastings:

This is in response to your letter to me of October 8, 2003, on behalf of Mr. James Hutchinson, President of Ellensburg Cement Products, Inc. (Ellensburg). Mr. Hutchinson requests your help concerning the Department of Treasury (Treasury) withholding more than the claim against them.

As you requested, Bonneville Power Administration (BPA) accounts receivable staff reviewed the amounts that Treasury collected from Ellensburg on behalf of BPA and confirmed that excess amounts were indeed withheld. Ellensburg's final payment to satisfy the debt was not recorded timely into Treasury's systems, so Federal payments continued to be withheld. Treasury has since removed Ellensburg from its collection system. I have enclosed an accounting of the claims for your information.

Treasury has returned the excess funds to BPA, and we have processed a refund to Ellensburg in the amount of \$7,856.62. We electronically transferred the funds to Ellensburg's account on October 31, 2003.

Our sincere apologies for this error and any difficulties it has caused for Mr. Hutchinson and his company. If I can answer any questions, please contact me or have your staff contact Mr. Rob Swedo, of our Spokane Office, at 509-358-7445.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright", is written over the typed name.

Stephen J. Wright  
Administrator and Chief Executive Officer

Enclosure

Ellensburg Cement Products, Inc.  
Debt Collection

Invoice	Invoice	Date	Invoice Amount	BPA Action	Collections*	Date
MSC-01013RB2		6/27/2001	\$21,049.14	referred to Treasury June 2001	\$30,698.51	Jan-03
MSC-02218		10/9/2002	\$38,663.58	referred to Treasury April 2003	\$11,711.59	Aug-03
					\$46,327.01	Aug-03
					\$6,102.09	Aug-Sept-03
Total			<u>\$59,712.72</u>		<u>\$94,839.20</u>	

Excess collected and refunded to Company October 29, 2003 (\$7,856.62)

Total collected on this debt \$86,982.58

\*includes penalties, fees, and interest

**DOC HASTINGS**  
4TH DISTRICT, WASHINGTON

**ASSISTANT MAJORITY WHIP**

**COMMITTEE ON RULES**

**COMMITTEE ON THE BUDGET**



1323 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-5816

2715 SAINT ANDREWS LOOP, SUITE D  
PASCO, WA 99301  
(509) 543-9396

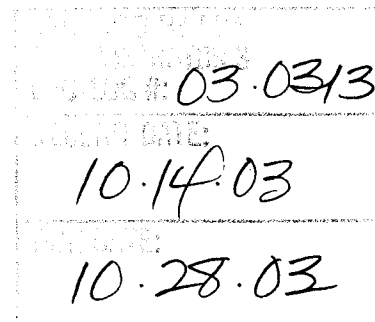
302 EAST CHESTNUT  
YAKIMA, WA 98901  
(509) 452-3243

# Congress of the United States

## House of Representatives

October 8, 2003

Mr. Stephen J. Wright  
Administrator and Chief Executive Officer  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208



Dear Mr. Wright:

Thank you for your response of September 11, 2003, concerning a settlement from Ellensburg Cement Products, Inc., for damage to Bonneville Power Administration transmission lines in December 2000. My constituent, Mr. James O. Hutchinson, President of Ellensburg Cement Products, Inc., has contacted me again regarding his concern that the Department of the Treasury withheld \$6,246.78 more than the amount of the claim against Ellensburg Cement Products, Inc. I am enclosing related information.

I would appreciate another review of the payment portion of this case. Please direct your response to my staff assistant, Judy Byrne, at 2715 Saint Andrews Loop, Suite D, Pasco, WA 99301, phone (509) 543-9396, or fax (509) 545-1972.

Sincerely,

Doc Hastings  
Member of Congress

DH:jb

Enclosures

ASSIGN: DR-7C  
cc: FO3, DC/Wash, DR/WSGL, L-7,  
KF-2, KFR-2, KFRO-2, CK-1

**OCT 03 2003**

**Ellensburg Cement Products, Inc.**

Contractor Registration #EllenCP255DP

1071 Hwy 97 • PO Box 938 • Ellensburg, WA 98926

Telephone (509) 933-7050 • Fax (509) 933-7068

October 1, 2003

The Honorable Richard "Doc" Hastings  
U.S. House of Representatives  
1323 Longworth House Office Building  
Washington, D.C. 20515

RE: Ellensburg Cement Products, Inc. vs. Bonneville Power Administration

Dear Representative Hastings:

In December 2000, Ellensburg Cement Products, Inc. damaged a Bonneville Power Administration powerline. Bonneville replaced a power pole, made and completed other repairs starting Dec. 6, 2000 and finishing December 8, 2000 according to W/O 00037791 and Invoice MSC-01013 dated July 11, 2001. As you can see on the enclosed copy, there is nothing to indicate any of these repairs were temporary in nature. As a matter of fact, the splices made in December 2000 to the fiber optic cable are still there.

Upon receipt of this invoice on August 1, 2001, Ellensburg Cement Products, Inc. forwarded it on to our insurance carrier, Safeco Property and Casualty Insurance for payment. Safeco disputed the labor charges as being excessive and out of line. Safeco immediately ran into a bureaucratic stone wall, Bonneville would not talk to them. This was from the time the invoice was received and not just from the time Bonneville turned this billing over to the Treasury. Finally, out of frustration, desperation and to keep from accruing any additional charges, Safeco paid Invoice MSC-01013.

Then in October 2002, Ellensburg Cement received Invoice MSC-02218. This invoice was for replacing two thousand five hundred feet of fiber optic cable, which Bonneville says, was damaged in December 2000. It seems rather strange, the temporary repairs which Stephen Wright refers to in his letter of September 11, 2003, are still there. We have been unable to find any of this two thousand five hundred feet of fiber optic cable located within the boundaries of the property where the original damage was incurred and where Ellensburg Cement would have any control or responsibility.

On August 8, 2003, Ellensburg Cement received notification from the Department Of Treasury that over \$11,500.00 had been withheld from payments due ECP on August 4, 2003. Upon receipt of this notification from Treasury, Safeco Insurance Company was notified and a PROTEST payment through their attorney of \$46,327.10 was made. This paid the claim in full. However, even after paying this claim in full, Treasury continued to withhold funds due

Doc Hastings  
October 1, 2003  
Page 2

Ellensburg Cement and have to date collected \$6,246.78 more than the amount of the claim with \$144.69 on 8/06/03, \$232.74 on 8/29, \$4,992.96 on 9/03 and \$876.38 on 9/05/03.

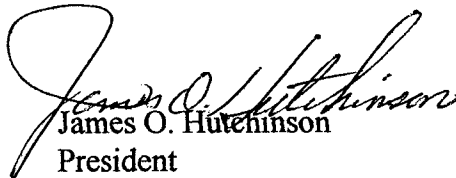
This has become a two year nine month fiasco of bureaucratic arrogance. To begin with, it took over 7 months to send the initial invoice MSC-01013 and then this invoice was sent to the wrong address. Now that is efficiency. Next any attempts by our agent in this matter; Safeco Property and Casualty Insurance Co., to arrive at a mutually acceptable settlement were met with silence. BPA would not talk to Safeco. Take Safeco's money, yes! Talk to Safeco, NO!

In Mr. Wright's closing statement, he says he is confident Bonneville's charges are accurate and reasonable. Yes, all the numbers do add up, so these invoices are mathematically accurate. Reasonable? Is it reasonable for a governmental agency to bill labor at a rate which covers the U.S. Dept. of Labor prevailing wage and fringe benefits, state and federal payroll taxes and HOW much more for administrative support? Is it reasonable to charge out 129.0 labor hours at straight time and 181.5 overtime labor hours on one little job? Is it reasonable to charge for replacing 2,500 feet of fiber optic cable, which could encircle this site several times? Is it reasonable to totally ignore our agent's attempts at conversation?

As you can see, we at Ellensburg Cement do not view this issue in the same manner as a professional Bureaucrat. We are a small, family owned business, working very hard to provide our employees good living wages and benefits and provide goods and services to our customers at fair prices. If problems do arrive, we are able to discuss the situation and usually able to come to equitable solutions. With Bonneville this is not the case and we are not used to dealing with a Bureaucratic Bully.

I hope this raises some questions regarding the way Bonneville acts in situations like this. If you have any further questions of Ellensburg Cement on this issue, do not hesitate to contact me at (509) 933-7050.

Thank you,  
ELLENSBURG CEMENT PRODUCTS, INC.



James O. Hutchinson  
President

JOH:rne  
Enc.

CC: Patty Gross (via facsimile, 425-376-7450)  
Korach & Wilson (via facsimile, 509-754-4891)  
Law Firm of William Garcia (via facsimile, 206-925-0799)



# INVOICE

Invoice  
Invoice Date:  
Page:

MSC-01013  
July 11, 2001  
1 of 1

Please Remit To:  
BONNEVILLE POWER ADMIN  
FILE NO. 74038  
P.O. BOX 60000  
SAN FRANCISCO CA 94160-4038

Customer No: 10639  
Payment Terms: NET 30  
Due Date: August 10, 2001

ELLENSBURG CEMENT COMPANY  
PO BOX 938  
ELLENSBURG WA 98926

**AMOUNT DUE: 21,049.14 USD**

*To ensure that your account is credited properly, please include the invoice number on your check and/or enclose a copy of the invoice with your payment. Thank You.*

For billing questions, please call: SHARON BOYLE  
360-418-8258

Original

Line	Description	Quantity	UOM	Unit Amt	Net Amount
1	LABOR	1.00		15,580.00	15,580.00
2	VEHICLE/EQUIPMENT	1.00		2,823.00	2,823.00
3	TRAVEL	1.00		1,402.50	1,402.50
4	MATERIALS	1.00		1,243.64	1,243.64

Subtotal: 21,049.14

**AMOUNT DUE: 21,049.14 USD**

AMOUNT DUE BONNEVILLE POWER ADMINISTRATION  
FOR REPAIR WORK DUE TO EXCAVATOR DRIVING  
THROUGH ELLENSBURG-MOXEE 115KV LINE. SEE  
ATTACHED FOR COST BREAKDOWN.

Unpaid balance after the due date will accrue interest at a rate of 1 percent per month, unless otherwise stated in the contract or agreement. You have the right to inspect the records and obtain a review, within BPA, of the determination of this indebtedness. All debts are subject to the Debt Collection Improvement Act of 1996.

For Internal Use

INVOICE CC'S:  
OFFICIAL FILE - TMF  
WELLER, D - TFS



# EXTERNAL REIMBURSABLE PROJECT

WO Number: 00037791	Task Number: 1	Date: 12/6/00
Project Title: Excavator Drove thru Line		Requesting Org: TFSK
Work Start Date: 12/6/00	Complete Date: 12/8/00	
TBL Contact Name: Barry Peckham	TBL Contact Phone Nr: 509-925-2049	
Send Bill To: Ellensburg Cement Company	Customer Contact: Jim	
Address: 1071 Hwy 97	Customer Phone Nr: 509-856-7644	
City, State, Zip: Ellensburg, WA 98926	Cust Purchase Order #:	

**Location of Work:** Ellensburg-Moxee 115kv Line

**Description of Work:**  
Repair work due to excavator driving through our line.

**Refer to Rates Table 3 when calculating costs for items below**

Item Description - Unit	Cost per Unit	Estimate		Actual Billed	
		Units	Cost	Units	Cost
<b>Labor - Hour</b>					
Journeyman Lineman, Straight time	76.00			147.5	11,210.00
Journeyman Lineman, Overtime	114.00			29	3,306.00
Operator, Straight time	76.00			14	1,064.00
E53014 Bucket Truck	200.00			3	600.00
E52390 Boom Truck	150.00			3	450.00
E49435 Boom Truck	150.00			3	450.00
E52037 2 Ton Truck	150.00			2	300.00
E52899 Back hoe	200.00			3	600.00
G63-01006 Maintenance Truck	47.00			3	141.00
G71-01070 Maintenance Truck	47.00			3	141.00
G71-01071 Maintenance Truck	47.00			3	141.00
*Travel / Per Diem	280.50			5	1,402.50
<b>*Materials</b>					
Copper Field sleeve	\$ 62.67			2	125.33
Fir pole, 70 ft	\$ 943.79			1	943.79
Fiber repair kit	\$ 64.52			2	129.03
Copper conductor	\$ 0.33			20	6.60
DA Bolts	\$ 4.70			2	9.39
Crossarm bolts 7/8	\$ 4.61			1	4.61
Crossarm bolts 3/4	\$ 5.71			2	11.42
Punched eye	\$ 13.46			1	13.46
<b>TOTALS</b>			-		21,049.14

<b>Originator (name/signature)</b> Barry Peckham	<b>Date:</b>	<b>Customer Name/Signature</b>	<b>Date:</b>
<b>Work Complete/Cost Certification (name/signature)</b> Debbie Weller			

American States Insurance Company  
PO Box 34700  
Seattle, WA 98124

(425) 376-7450 Fax  
(425) 376-7272 Office

SAFECO FAX TRANSMITTAL	
# of pages <b>12</b>	From <b>Patti Gross</b>
To <b>DR HASTINGS</b>	Loc/Dept <b>CLAIMS</b>
Co	Phone #
Fax # <b>509 545-1972</b>	Fax #
Comment	
05-785 9/92 PRINTED IN U.S.A. ®Registered trademark of SAFECO Corporation.	

September 22, 2003

Congress of the United States  
House of Representative

RE: Ellensburg Cement vs Bonneville Power Company

Dear Mr. Hastings:

Thank you for taking the time to follow up on the issue regarding Bonneville Power. We have received a copy of the letter from Stephen Wright, Administrator and Chief Executive Officer from Bonneville Power.

It clearly states in his letter that this debt has been paid in full. Attached are several copies of invoices. These monies are continuing to be garnished from Ellensburg's business accounts. This needs to stop.

It is inexcusable for an entity like Bonneville not to take the responsibility that this issue is cleared up and should owe Ellensburg interest ect.

His letter that was submitted certainly isn't clear, as we had previously written; we have an expert report that disputes the alleged 2500 feet of optic fiber that was damaged. They haven't provided any proof that we caused this damage.

We believe Bonneville needs to contact us directly and this case needs to be arbitrated to be resolved. It isn't realistic that we caused \$80,000.00 worth of damage based on our photos and report.

Thank you,



Patti Gross

American States Insurance Company

CC: Ellensburg Cement

09/19/2003 11:54

5099337068

ELLENSBURG CEMENT

DEPARTMENT OF THE TREASURY  
FINANCIAL MANAGEMENT SERVICE  
P.O. BOX 1686  
BIRMINGHAM, ALABAMA 35201-1686

**THIS IS NOT A BILL - PLEASE RETAIN FOR YOUR RECORDS**

08/29/03

ELLENSBURG CEMENT PROD  
P.O. BOX 938  
ELLENSBURG, WA 98926

Dear ELLENSBURG CEMENT PROD:

As authorized by Federal law, we applied all or part of your Federal payment to a debt you owe. The government agency (or agencies) collecting your debt is listed below.

Debt Management Servicing Center  
Financial Management Service  
DMSC - Birmingham Office  
P. O. Box 830794  
Birmingham AL 35283-0794  
888-826-3127 (888) 826-3127  
PURPOSE: Non-Tax Federal Debt

TIN Num: 910-52-3402  
TOP Trace Num: S19236969  
Acct Num: 230063659000475506  
Amount This Creditor: \$232.74  
Creditor: 33 Site: 01

The Agency has previously sent notice to you at the last address known to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above. The U. S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

We will forward the money taken from your Federal payment to the Agency to be applied to your debt balance; however, the Agency may not receive the funds for several weeks after the payment date. If you intend to contact the Agency, please have this notice available.

**CH Wilson**

Charles A. Wilson  
Department of the Treasury, Financial Management Service  
(800) 304-3107

**PAYMENT SUMMARY**

PAYEE NAME: ELLENSBURG CEMENT PROD

PAYMENT BEFORE REDUCTION: \$235.10

TOTAL AMOUNT OF THIS REDUCTION: \$232.74

PAYING FEDERAL AGENCY: Department of Energy

PAYMENT DATE: 08/29/03  
PAYMENT TYPE: EFT

FOR OFFICIAL USE ONLY: 000000003 S1923696991052340200000979618ALTR-FOJELLE000003



09/19/2003 11:54

5099337869

ELLENSBURG CEMENT

DEPARTMENT OF THE TREASURY  
FINANCIAL MANAGEMENT SERVICE  
P.O. BOX 1686  
BIRMINGHAM, ALABAMA 35201-1686



THIS IS NOT A BILL - PLEASE RETAIN FOR YOUR RECORDS

09/03/03

ELLENSBURG CEMENT PROD  
P.O. BOX 938  
ELLENSBURG, WA 98926

Dear ELLENSBURG CEMENT PROD:

As authorized by Federal law, we applied all or part of your Federal payment to a debt you owe. The government agency (or agencies) collecting your debt is listed below.

Debt Management Servicing Center  
Financial Management Service  
DMSC - Birmingham Office  
P. O. Box 830794

Birmingham AL 35283-0794  
888-826-3127 (888) 826-3127  
PURPOSE: Non-Tax Federal Debt

TIN Num: 910-52-3402  
TOP Trace Num: S19241251  
Acct Num: 230063659000475506  
Amount This Creditor: \$715.40  
Creditor: 33 Site: 01

The Agency has previously sent notice to you at the last address known to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above. The U. S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

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*CR Wilson*

Charles A. Wilson  
Department of the Treasury, Financial Management Service  
(800) 304-3107

## PAYMENT SUMMARY

PAYEE NAME: ELLENSBURG CEMENT PROD  
PAYMENT BEFORE REDUCTION: \$722.63  
TOTAL AMOUNT OF THIS REDUCTION: \$715.40  
PAYING FEDERAL AGENCY: Department of Energy

INV # 59316

PAYMENT DATE: 09/03/03  
PAYMENT TYPE: EFT



09/19/2003 11:54

5899337068

ELLENSBURG CEMENT

DEPARTMENT OF THE TREASURY  
FINANCIAL MANAGEMENT SERVICE  
P.O. BOX 1686  
BIRMINGHAM, ALABAMA 35201-1686



THIS IS NOT A BILL - PLEASE RETAIN FOR YOUR RECORDS

09/03/03

ELLENSBURG CEMENT PROD  
P.O. BOX 938  
ELLENSBURG, WA 98926

Dear ELLENSBURG CEMENT PROD:

As authorized by Federal law, we applied all or part of your Federal payment to a debt you owe. The government agency (or agencies) collecting your debt is listed below.

Debt Management Servicing Center  
Financial Management Service  
DMSC - Birmingham Office  
P. O. Box 830794  
Birmingham AL 35283-0794  
888-826-3127 (888) 826-3127  
PURPOSE: Non-Tax Federal Debt

TIN Num: 910-52-3402  
TOP Trace Num: S19241252  
Acct Num: 230063659000475506  
Amount This Creditor: \$872.43  
Creditor: 33 Site: 01

The Agency has previously sent notice to you at the last address known to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above. The U. S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

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Charles A. Willson

Charles A. Willson  
Department of the Treasury, Financial Management Service  
(800) 304-3107

PAYMENT SUMMARY

PAYEE NAME: ELLENSBURG CEMENT PROD  
PAYMENT BEFORE REDUCTION: \$881.25  
TOTAL AMOUNT OF THIS REDUCTION: \$872.43  
PAYING FEDERAL AGENCY: Department of Energy

PAYMENT DATE: 09/03/03  
PAYMENT TYPE: EFT



09/19/2003 11:54

5099337069

ELLENSBURG CEMENT

DEPARTMENT OF THE TREASURY  
FIN. MGMT. SERVICE  
P.O. BOX 1686  
BIRMINGHAM, ALABAMA 35201-1686

THIS IS NOT A BILL - PLEASE RETAIN FOR YOUR RECORDS

09/03/03

ELLENSBURG CEMENT PROD  
P.O. BOX 938  
ELLENSBURG, WA 98926

Dear ELLENSBURG CEMENT PROD:

As authorized by Federal law, we applied all or part of your Federal payment to a debt you owe. The government agency (or agencies) collecting your debt is listed below.

Debt Management Servicing Center  
Financial Management Service  
DMSC - Birmingham Office  
P. O. Box 830794  
Birmingham AL 35283-0794  
888-826-3127 (888) 826-3127  
PURPOSE: Non-Tax Federal Debt

TIN Num: 910-52-3402  
TOP Trace Num: S19241253  
Acct Num: 230063659000475506  
Amount This Creditor: \$1203.96  
Creditor: 33 Site: 01

The Agency has previously sent notice to you at the last address known to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above. The U. S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

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CH 155-05

Charles A. Wilson  
Department of the Treasury, Financial Management Service  
(800) 304-3107

## PAYMENT SUMMARY

PAYEE NAME: ELLENSBURG CEMENT PROD  
PAYMENT BEFORE REDUCTION: \$1216.13  
TOTAL AMOUNT OF THIS REDUCTION: \$1203.96  
PAYING FEDERAL AGENCY: Department of Energy

PAYMENT DATE: 09/03/03  
PAYMENT TYPE: EFT

09/19/2003 11:54

5099337068

ELLENSBURG CEMENT

DEPARTMENT OF THE TREASURY  
FINANCIAL MANAGEMENT SERVICE  
P.O. BOX 1686  
BIRMINGHAM, ALABAMA 35201-1686



THIS IS NOT A BILL - PLEASE RETAIN FOR YOUR RECORDS

09/03/03

ELLENSBURG CEMENT PROD  
P.O. BOX 938  
ELLENSBURG, WA 98926

Dear ELLENSBURG CEMENT PROD:

As authorized by Federal law, we applied all or part of your Federal payment to a debt you owe. The government agency (or agencies) collecting your debt is listed below.

Debt Management Servicing Center  
Financial Management Service  
DMSC - Birmingham Office  
P. O. Box 830794  
Birmingham AL 35283-0794  
888-826-3127 (888) 826-3127  
PURPOSE: Non-Tax Federal Debt

TIN Num: 910-52-3402  
TOP Trace Num: S19241254  
Acct Num: 230063659000475506  
Amount This Creditor: \$1046.92  
Creditor: 33 Site: 01

The Agency has previously sent notice to you at the last address known to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above. The U. S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

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*Charles A. Wilson*

Charles A. Wilson  
Department of the Treasury, Financial Management Service  
(800) 304-3107

## PAYMENT SUMMARY

PAYEE NAME: ELLENSBURG CEMENT PROD  
PAYMENT BEFORE REDUCTION: \$1057.50  
TOTAL AMOUNT OF THIS REDUCTION: \$1046.92  
PAYING FEDERAL AGENCY: Department of Energy

PAYMENT DATE: 09/03/03  
PAYMENT TYPE: EFT



09/19/2003 11:54

5899337068

ELLENSBURG CEMENT

DEPARTMENT OF THE TREASURY  
FIN. CIAL MANAGEMENT SERVICE  
P.O. BOX 1686  
BIRMINGHAM, ALABAMA 35201-1686

**THIS IS NOT A BILL - PLEASE RETAIN FOR YOUR RECORDS**

09/03/03

ELLENSBURG CEMENT PROD  
P.O. BOX 938  
ELLENSBURG, WA 98926

Dear ELLENSBURG CEMENT PROD:

As authorized by Federal law, we applied all or part of your Federal payment to a debt you owe. The government agency (or agencies) collecting your debt is listed below.

Debt Management Servicing Center  
Financial Management Service  
DMSC - Birmingham Office  
P. O. Box 830794  
Birmingham AL 35283-0794  
888-826-3127 (888) 826-3127  
PURPOSE: Non-Tax Federal Debt

TIN Num: 910-52-3402  
TOP Trace Num: S19241255  
Acct Num: 230063659000475506  
Amount This Creditor: \$374.57  
Creditor: 33 Site: 01

The Agency has previously sent notice to you at the last address known to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above. The U. S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

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CR 163-005

Charles A. Wilson  
Department of the Treasury, Financial Management Service  
(800) 304-3107

**PAYMENT SUMMARY**

PAYEE NAME: ELLENSBURG CEMENT PROD  
PAYMENT BEFORE REDUCTION: \$378.36  
TOTAL AMOUNT OF THIS REDUCTION: \$374.57  
PAYING FEDERAL AGENCY: Department of Energy

PAYMENT DATE: 09/03/03  
PAYMENT TYPE: EFT





7/13

09/19/2003 11:54

5099337868

ELLENSBURG CEMENT

DEPARTMENT OF THE TREASURY  
FIN/ CIAL MANAGEMENT SERVICE  
P.O. BOX 1686  
BIRMINGHAM, ALABAMA 35201-1686



THIS IS NOT A BILL - PLEASE RETAIN FOR YOUR RECORDS

09/03/03

ELLENSBURG CEMENT PROD  
P.O. BOX 938  
ELLENSBURG, WA 98926

Dear ELLENSBURG CEMENT PROD:

As authorized by Federal law, we applied all or part of your Federal payment to a debt you owe. The government agency (or agencies) collecting your debt is listed below.

Debt Management Servicing Center  
Financial Management Service  
DMSC - Birmingham Office  
P. O. Box 830794  
Birmingham AL 35283-0794  
888-826-3127 (888) 826-3127  
PURPOSE: Non-Tax Federal Debt

TIN Num: 910-52-3402  
TOP Trace Num: S19241256  
Acct Num: 230063659000475506  
Amount This Creditor: \$264.53  
Creditor: 33 Site: 01

The Agency has previously sent notice to you at the last address known to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above. The U. S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

We will forward the money taken from your Federal payment to the Agency to be applied to your debt balance; however, the Agency may not receive the funds for several weeks after the payment date. If you intend to contact the Agency, please have this notice available.

CH. Wilson

Charles A. Wilson  
Department of the Treasury, Financial Management Service  
(800) 304-3107

## PAYMENT SUMMARY

PAYEE NAME: ELLENSBURG CEMENT PROD  
PAYMENT BEFORE REDUCTION: \$267.21  
TOTAL AMOUNT OF THIS REDUCTION: \$264.53  
Paying FEDERAL AGENCY: Department of Energy

PAYMENT DATE: 09/03/03  
PAYMENT TYPE: EFT

FOR OFFICIAL USE ONLY: 0000000017 51924125691052340200001349136ALTR-PO1ELLE000017



09/19/2003 11:54

5099337058

ELLENSBURG CEMENT



DEPARTMENT OF THE TREASURY  
FIN. CIAL MANAGEMENT SERVICE  
P.O. BOX 1686  
BIRMINGHAM, ALABAMA 35201-1686

THIS IS NOT A BILL - PLEASE RETAIN FOR YOUR RECORDS

09/05/03

ELLENSBURG CEMENT PROD  
P.O. BOX 938  
ELLENSBURG, WA 98926

Dear ELLENSBURG CEMENT PROD:

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Financial Management Service  
DMSC - Birmingham Office  
P. O. Box 830794

Birmingham AL 35283-0794  
888-826-3127 (888) 826-3127  
PURPOSE: Non-Tax Federal Debt

TIN Num: 910-52-3402  
TOP Trace Num: S19263759  
Acct Num: 230063659000475506  
Amount This Creditor: \$273.18  
Creditor: 33 Site: 01

The Agency has previously sent notice to you at the last address known to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above. The U. S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

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CA Wilson

Charles A. Wilson  
Department of the Treasury, Financial Management Service  
(800) 304-3107

## PAYMENT SUMMARY

PAYEE NAME: ELLENSBURG CEMENT PROD  
PAYMENT BEFORE REDUCTION: \$275.94  
TOTAL AMOUNT OF THIS REDUCTION: \$273.18  
PAYING FEDERAL AGENCY: Department of Energy

PAYMENT DATE: 09/05/03  
PAYMENT TYPE: EFT

09/19/2003 11:54

5099337868

ELLENSBURG CEMENT



DEPARTMENT OF THE TREASURY  
FIN. MGMT. MANAGEMENT SERVICE  
P.O. BOX 1686  
BIRMINGHAM, ALABAMA 35201-1686

THIS IS NOT A BILL - PLEASE RETAIN FOR YOUR RECORDS

09/05/03

ELLENSBURG CEMENT PROD  
P.O. BOX 938  
ELLENSBURG, WA 98926

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Financial Management Service  
DMSC - Birmingham Office  
P. O. Box 830794  
Birmingham AL 35283-0794  
888-826-3127 (888) 826-3127  
PURPOSE: Non-Tax Federal Debt

TIN Num: 910-52-3402  
TOP Trace Num: S19263760  
Acct Num: 230063659000475506  
Amount This Creditor: \$411.46  
Creditor: 33 Site: 01

The Agency has previously sent notice to you at the last address known to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above. The U. S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

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CR Wilson

Charles A. Wilson  
Department of the Treasury, Financial Management Service  
(800) 304-3107

PAYMENT SUMMARY

PAYEE NAME: ELLENSBURG CEMENT PROD  
PAYMENT BEFORE REDUCTION: \$415.62  
TOTAL AMOUNT OF THIS REDUCTION: \$411.46  
PAYING FEDERAL AGENCY: Department of Energy

PAYMENT DATE: 09/05/03  
PAYMENT TYPE: EFT



09/19/2003 11:54 5099337068

ELLENSBURG CEMENT

DEPARTMENT OF THE TREASURY  
FINANCIAL MANAGEMENT SERVICE  
P.O. BOX 1686  
BIRMINGHAM, ALABAMA 35201-1686



THIS IS NOT A BILL - PLEASE RETAIN FOR YOUR RECORDS

09/03/03

ELLENSBURG CEMENT PROD  
P.O. BOX 938  
ELLENSBURG, WA 98926

Dear ELLENSBURG CEMENT PROD:

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Financial Management Service  
DMSC - Birmingham Office  
P. O. Box 830794  
Birmingham AL 35283-0794  
888-826-3127 (888) 826-3127  
PURPOSE: Non-Tax Federal Debt

TIN Num: 910-52-3402  
TOP Trace Num: S19241250  
Acct Num: 230063659000475506  
Amount This Creditor: \$515.16  
Creditor: 33 Site: 01

The Agency has previously sent notice to you at the last address known to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above. The U. S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

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*CA Wilson*

Charles A. Wilson  
Department of the Treasury, Financial Management Service  
(800) 304-3107

## PAYMENT SUMMARY

PAYEE NAME: ELLENSBURG CEMENT PROD  
PAYMENT BEFORE REDUCTION: \$520.37  
TOTAL AMOUNT OF THIS REDUCTION: \$515.16  
PAYING FEDERAL AGENCY: Department of Energy

PAYMENT DATE: 09/03/03  
PAYMENT TYPE: EFT

FOR OFFICIAL USE ONLY: 0000900011 S1924125091052340200001159134ALIB-F01ELB0000011



09/19/2003 11:54 5099337068

ELLENSBURG CEMENT

PAGE 13

13/3



DEPARTMENT OF THE TREASURY  
FINANCIAL MANAGEMENT SERVICE  
P.O. BOX 1686  
BIRMINGHAM, ALABAMA 35201-1686

THIS IS NOT A BILL - PLEASE RETAIN FOR YOUR RECORDS

09/05/03

ELLENSBURG CEMENT PROD  
P.O. BOX 938  
ELLENSBURG, WA 98926

Dear ELLENSBURG CEMENT PROD:

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Financial Management Service  
DMSC - Birmingham Office  
P. O. Box 830794  
Birmingham AL 35283-0794  
888-826-3127 (888) 826-3127  
PURPOSE: Non-Tax Federal Debt

TIN Num: 910-52-3402  
TOP Trace Num: S19263761  
Acct Num: 230063659000475506  
Amount This Creditor: \$191.74  
Creditor: 33 Site: 01

The Agency has previously sent notice to you at the last address known to the Agency. That notice explained the amount and type of debt you owe, the rights available to you, and that the Agency intended to collect the debt by intercepting any Federal payments made to you, including tax refunds. If you believe your payment was reduced in error or if you have questions about this debt, you must contact the Agency at the address and telephone number shown above. The U. S. Department of the Treasury's Financial Management Service cannot resolve issues regarding debts with other agencies.

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*Charles A. Wilson*  
Charles A. Wilson  
Department of the Treasury, Financial Management Service  
(800) 304-3107

PAYMENT SUMMARY

PAYEE NAME: ELLENSBURG CEMENT PROD  
PAYMENT BEFORE REDUCTION: \$193.68  
TOTAL AMOUNT OF THIS REDUCTION: \$191.74  
PAYING FEDERAL AGENCY: Department of Energy

PAYMENT DATE: 09/05/03  
PAYMENT TYPE: EFT

FOR OFFICIAL USE ONLY: 000000002 61926376191052340200001069182ALTR-F01ELLE000002





## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

NOV 12 2003

In reply refer to: DR-7C

The Honorable Michael D. Crapo  
Chairman, Subcommittee on Fisheries, Wildlife, and Water  
U.S. Senate  
Washington, DC 20510

Dear Senator Crapo:

Thank you for your October 1, 2003, letter expressing concern about the pace of fish and wildlife project implementation in the Upper Salmon Basin during Fiscal Year (FY) 2003. While our goal is always to implement and fund projects as quickly as they are budgeted and approved, some of the salmon sub-basin projects planned for FY2003 did not get funded in FY2003. You have asked for assistance in clarifying and addressing the factors contributing to this delay.

Two factors have affected Bonneville Power Administration's (BPA) funding for all projects in the Northwest Power and Conservation Council's (Council) Fish and Wildlife Program. First, in order to address the essential off-site mitigation (habitat) actions in the NOAA Fisheries 2000 Biological Opinion (BiOp) and address fish and wildlife more comprehensively, BPA has worked closely with the Council to carry out our Endangered Species Act (ESA) obligations under the auspices of the Council's Program. Second, the Independent Scientific Review Panel (ISRP) instituted by Congress in 1998 is holding projects in the Council's Program to a high standard. Projects must identify and achieve biological objectives that can be shown to further specific fish and wildlife goals in the region.

Based on these standards, the ISRP's final recommendation on the habitat projects in the Upper Salmon Basin watershed program was for BPA to fund "prioritization of projects and planning, including watershed assessments" for the overall coordination project. The ISRP recommended against funding the five subbasin specific habitat projects (Middle Salmon – Panther, Lemhi, Pahsimeroi, East Fork Salmon, and Upper Salmon Watershed). Because ESA habitat actions were an important priority, though, BPA decided to continue funding these projects, subject to an additional review and approval process to assure that they met the specific actions identified in the BiOp.

These issues have led to FY2003 being a period of transition for the Upper Salmon Basin projects. In many cases, new project review requirements and the focus on ESA implementation did in fact slow project approval and implementation. Other projects were delayed pending resolution of technical concerns or biological performance considerations. We did approve projects that were ready to implement, where previous commitments had been made, and where

projects had immediate measurable benefits to ESA-listed anadromous fish. BPA continues to work with the parties to provide flexibility while maintaining consistency with BiOp requirements.

Nevertheless, as you note, not all the budgeted FY2003 funds for these projects have been paid. The total FY2003 program funds contracted and available for project implementation approved through the region's provincial project solicitations were \$2,517,927. Total Fiscal Year 2003 billings from contractors were \$1,532,436, or 61 percent of the total contract obligated funds.

The Upper Salmon Basin is a designated critical area for ESA-listed spring chinook and steelhead, and BPA has a strong interest in getting a full suite of biologically effective and cost effective projects in place there. To address the delays we had in FY2003, we have increased the level of communication with our contractors, especially the Upper Salmon Basin Project, because of its key overall coordination role. We are encouraged by the dedication and insight of the new watershed coordinator, Mr. Russell Knight. We are working closely with Mr. Knight to confirm mutual expectations and understandings regarding our current project review and approval requirements. BPA's project manager, Mr. Mickey Carter, is in the field regularly to work with contractors and assure a timely response to project development and implementation. Timely and consistent decision-making and communication continues to be a top priority.

We will continue to review these projects for their ESA and NEPA compliance before approving funding. Now that NOAA Fisheries has successfully completed consultation and issued a programmatic biological opinion on BPA's Habitat Improvement Program, working within the constraints of the ESA consultation process should be easier this year. Another benefit is Mr. Carter's strong background with NEPA compliance requirements. We have recently addressed the question of buffer zones and developed a clear process to make quicker decisions on such projects.

You also ask that BPA authorize full carryover of this year's funds. BPA and the Council, working with the Columbia Basin Fish and Wildlife Authority (CBFWA), have agreed on a rescheduling process. This gives contractors the opportunity to request that work not completed in FY2003, along with the associated funding, be rescheduled into the next, or successive, fiscal years. Project number 1999-019-00, Restore Salmon River Area, has requested to reschedule \$510,000 in capital funds for the Stark Easement. No other projects in the Upper Salmon Basin have requested rescheduling of FY2003 funds at this time.

The rescheduling process will be ongoing throughout the year. We will review every project at least quarterly to assess the pace of performance and the expenditure of funds. We will make decisions on rescheduling available program funding as appropriate. Be aware, though, that the overall Fish and Wildlife program accrued expenses for FY2003 total approximately \$140 million (\$1 million over our budgeted amount for FY2003). This robust performance may limit the amount of funds we can reschedule from FY2003 to FY2004.

I share your commitment to efficient and timely project implementation and the full use of available Fish and Wildlife Program funds in FY2004. I believe that we now have the tools and the necessary level of communication and staff commitment to review and make funding decisions in the Upper Salmon Basin expeditiously.

For additional clarification, please feel free to contact me directly or have your staff contact Ms. Therese Lamb, BPA Vice President for Environment, Fish and Wildlife, at 503-230-4452.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright". The signature is fluid and cursive, with the first name "Stephen" and last name "Wright" clearly distinguishable.

Stephen J. Wright  
Administrator and Chief Executive Officer

Enclosure





JAMES M. INHOFE, OKLAHOMA, CHAIRMAN

JOHN W. WARNER, VIRGINIA  
CHRISTOPHER S. BOND, MISSOURI  
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BARBARA BOXER, CALIFORNIA  
RON WYDEN, OREGON  
THOMAS R. CARPER, DELAWARE  
HILLARY RODHAM CLINTON, NEW YORK

ANDREW WHEELER, MAJORITY STAFF DIRECTOR  
KEN CONNOLLY, MINORITY STAFF DIRECTOR

## United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

WASHINGTON, DC 20510-6175

October 1, 2003

RECEIVED BY BPA ADMINISTRATOR'S LOG #: 03.0305
RECEIPT DATE: 10.06.03
DUE DATE: 10.20.03

Mr. Steven Wright  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

ASSIGN: **DR-7C**

cc: FO3, DC/Wash, L-7, P-6, KE/KEW-4, DM-7,  
John Williams-DR/Boise

Dear Steve:

Thank you for your role in the strong partnership between BPA and Idaho. Through this good working relationship, there are now many federal, state, tribal, and private conservationists working together to conserve fish and wildlife with funds provided by BPA. Those funds, however, were impeded severely this year from getting to the ground and to their intended conservation results. Please help me understand this problem and its remedy.

In recent visits to the Salmon sub-basin, I have learned that restoration projects there have realized less than 20 percent of the funds obligated for the fiscal year ending yesterday. Of roughly \$1 million under contract, only \$130,000 or so has been paid. This problem directly affects my plans for continuous improvement in salmon conservation as chairman of the Senate Subcommittee on Fisheries, Wildlife, and Water.

Important projects, obviously, should be completed; also, I am concerned that this year's problem of enormous scale will overshadow the normal yearly need for refinements in project management. The remedy I suggest, therefore, is twofold: first, please authorize full carryover of this year's funds; second, obligate the entire amount for fiscal year 2004 approved by the Northwest Power and Conservation Council. Going forward, please join with me in shortening paperwork delays resulting from technical issues such as ESA consultation, NEPA, cultural surveys, and buffer zones around streams.

Thank you again for your partnership in conservation and your consideration of this problem. Please feel free to contact me directly or through my subcommittee staff director, Greg Schildwachter at (202) 224-6228.

Sincerely,



Michael D. Crapo  
Chairman, Subcommittee on Fisheries, Wildlife, and Water



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

NOV 26 2003

In reply refer to: DR-7C

The Honorable Patty Murray  
U.S. Senate  
Washington, DC 20510-4704

Dear Senator Murray:

This is in response to your letter to me of October 22, 2003, regarding the concerns of Snohomish County citizens living near Bonneville Power Administration's (BPA) 500 kilovolt (kV) transmission line known as the SnoKing Tap.

As you describe, the SnoKing voltage increase is part of a program of transmission reliability improvements, collectively referred to as the Puget Sound Reinforcement Program. BPA is implementing these improvements to reduce the likelihood of blackouts in the Puget Sound Area and reduce the need for implementing the Puget Sound Curtailment Plan. The SnoKing Tap was built and energized in the early 1970s. It was built for 500 kV operations, in anticipation of continued population and load growth in the Puget Sound Area.

We operated the SnoKing Tap at 230 kV from its original energization until September 29, 2003, when we increased the voltage to 500 kV. Following the increase, we began receiving phone calls and emails from area residents about transmission line noise. We immediately began inspections. Noise levels ranged from 44 to 48 decibels during wet weather, and from 40 to 45 decibels in dry weather. (Operation of high voltage transmission lines creates a hissing or crackling sound due to partial electrical breakdown of the air around the line, referred to as corona. This is more noticeable in wet weather or smoky air.) These preliminary measurements are within county noise regulations. BPA maintenance crews climbed the towers and detected no obvious problems.

On October 30, 2003, we began a detailed helicopter inspection of the SnoKing Tap and the entire Monroe-Echo Lake 500 kV line. For three days, crews took detailed photographs of the line to provide a comprehensive, close-up look at the transmission line structures, conductors, and hardware. We are evaluating the results of the inspections for abnormal conditions that may affect transmission line operations, including potential causes of audible fair weather noise. We have also requested an urgent ten-hour outage in early December to clean the conductor in two places and repair and replace damaged equipment on the line. We expect to have results of these and other investigations by December 2003. We will contact your district staff as new information becomes available.

In addition to our investigations, we have significantly increased outreach to local homeowners. We have sent letters, held a public meeting, and set up a toll-free telephone number for calls. At [http://www2.transmission.bpa.gov/PlanProj/Transmission\\_Projects/default.cfm?page=SK](http://www2.transmission.bpa.gov/PlanProj/Transmission_Projects/default.cfm?page=SK), we have a Web site where we'll be posting the results of our inspections and other information. We plan to hold a second public meeting in January 2004, to describe our findings.

I assure you that BPA is continuing to work with the community and taking appropriate steps to investigate homeowners' concerns. Please contact me if you have other questions or if I can be of additional assistance, or have your staff contact Cindy Custer, BPA's Washington Constituent Account Executive, at (360) 943-5375.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Wright". The signature is written in a cursive, flowing style.

Stephen J. Wright  
Administrator and Chief Executive Officer

# United States Senate

WASHINGTON, DC 20510-4704

October 22, 2003

FILED: 03.0325
RECEIPT DATE: 10.31.03
FILE DATE: 11.14.03

Stephen Wright  
Administrator  
Bonneville Power Administration  
PO Box 3621  
Portland, OR 97208-3621

ASSIGN: DR-7C  
cc: FO3, DC/Wash, L-7, P-6, T/Ditt2,  
JCowger-TR-TPP4, SBottemiller-TRV-TPP4

Dear Mr. Wright:

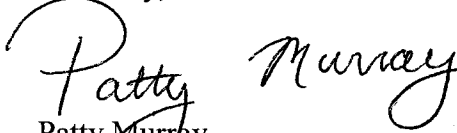
Residents in the Snohomish, Monroe, and Woodinville areas have contacted my offices with complaints regarding the increase in power on the Sno-King Tap to Monroe-Sammamish transmission line, which has resulted in a considerable increase in noise. While I understand that the new capacity is needed in order to provide reliable power to our growing region, I want to be sure that Bonneville Power Administration (BPA) is working quickly to address noise concerns.

The Bonneville Power Administration transmission line connecting the Sno-King Tap to the Monroe-Sammamish transmission line faced an increase in voltage on September 29, 2003. The voltage increase from 230-kV to 500-kV resulted in a constant noise. Of the 200 residents along the 13 miles of transmission line, many have reported that the volume of the line is comparable to the sound of a semi-truck idling.

I understand that the BPA did not expect the power lines to be so noisy, and to have such a dramatic effect on people. I want to commend BPA for the swift availability of staff to answer questions and to meet with residents on their property to explore the magnitude of the problem.

As noise level measurements are collected, if noise levels are in compliance with State regulations, I still believe that as a good neighbor, BPA should continue to work with the community. I am committed to work with you and with the local community to find a solution that meets the needs of our electricity transmission system without compromising quality of life. I ask that you move quickly to address the concerns of the 200 homeowners who live along the 13 mile transmission line.

Sincerely,

  
Patty Murray  
United States Senator



**Department of Energy**

**Official File Copy**

**Bonneville Power Administration**  
P.O. Box 3621  
Portland, Oregon 97208-3621

**EXECUTIVE OFFICE**

JUN 23 2000

In reply refer to: KR-7C

**The Honorable Peter DeFazio**  
**U.S. House of Representatives**  
**Washington, D.C. 20515**

**Dear Congressman DeFazio:**

I am writing in response to your inquiry of May 23 on behalf of your constituent, \_\_\_\_\_, believes that Nucor should be required to pay all costs associated with the study of proposed transmission routes to Coos County.

In March 1999, Nucor signed a Letter of Understanding (LOU) with Bonneville Power Administration (BPA) that addressed the cost split for these environmental studies. The study was evaluating alternate routes for a transmission line that would serve the company's proposed steel mill and reinforce BPA's transmission routes to the southern Oregon coast. Nucor agreed to pay the study costs of up to \$1 million if the project was not constructed for any reason within Nucor's control. BPA estimated the study would cost approximately \$1 million.

In July 1999, when Nucor announced that it was canceling plans to build the Coos Bay plant, BPA actively pursued the fulfillment of the LOU. On January 28, 2000, Nucor paid BPA \$1 million for study costs. In addition to Nucor's \$1 million, various local, state, and Federal agencies paid \$1 million collectively. BPA itself contributed approximately \$436,000 for the studies.

The region received significant value for these expenditures. State and local agencies were interested in economic development that could be undertaken while still protecting the environment. To this end, the study collected one year of data on nesting habitat along the proposed routes for endangered bird populations, including spotted owls and marbled murrelets. This information can be used to site the natural gas pipeline that has been proposed to run from Roseburg to Coos Bay. It can also be used to meet environmental requirements for timber harvests.

BPA has already used some of the study information in siting a transmission line between Reedsport and Fairview. BPA will also need to reinforce transmission to the southern Oregon coast. This reinforcement will serve numerous utilities and their customers—including Central Lincoln PUD, Coos Curry, City of Bandon, and PacifiCorp—and is especially important in light of Coos Bay's economic development goal to attract new industry. The studies provide

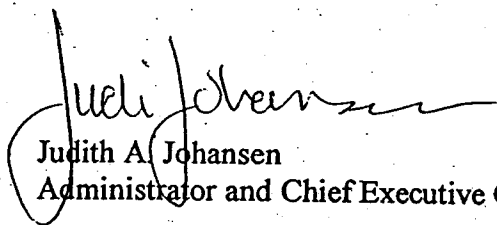
industry. The studies provide environmental and economic information about alternate transmission paths to the southern Oregon coast should new transmission lines be part of the solution. Just as important, the study gave BPA up-to-date documentation on our existing lines in the area, supporting current operations and maintenance programs.

It is true that BPA did not pursue interest on late payments with Nucor, as is BPA's policy with customers if they are late in paying their bills. In Nucor's case, BPA waived the required payment date in order to allow time for Nucor to review BPA's actual costs and satisfy itself that the charges were appropriate. Since the payment was in dispute and BPA had already written to the U.S. Treasury to pursue collection, the \$1 million payment represented a settlement.

I understand the perception that Nucor is not paying its fair share. In our view, though, Nucor paid what was agreed to, BPA and the State of Oregon gained much from the South Coast Reinforcement study, and BPA's ratepayers were not harmed.

I hope that this information is helpful to your constituent. Should \_\_\_\_\_ have any additional questions, she may contact Mr. Tony Rodrigues of my staff at (360) 418-8284.

Sincerely,



Judith A. Johansen  
Administrator and Chief Executive Officer

PETER A. DeFAZIO  
4TH DISTRICT, OREGON

RESOURCES COMMITTEE

SUBCOMMITTEE:  
FISHERIES CONSERVATION,  
WILDLIFE AND OCEANS

TRANSPORTATION AND  
INFRASTRUCTURE

SUBCOMMITTEES:  
AVIATION  
COAST GUARD AND  
MARITIME, RANKING



Congress of the United States  
House of Representatives

May 23, 2000


Judy Johansen, Administrator  
Bonneville Power Administration  
905 NE Multnomah Street  
Portland, OR 97232

Dear Ms. Johansen:

According to my constituent, ~~\_\_\_\_\_~~, Nucor should  
be required to pay all costs associated with the study of  
proposed transmission routes to Coos County. I have enclosed a  
copy of Ms. English's letter for your review and response.

Thank you for your help. Please call my aide, Betsy Boyd,  
if you have any questions.

Sincerely,

  
PETER DeFAZIO  
Member of Congress

PAD:bb  
Enclosure

- PLEASE RESPOND TO:
- ☐ 2134 RAYBURN HOUSE OFC. BLDG.  
WASHINGTON, DC 20515-3704  
(202) 225-6416
  - ☒ 151 WEST 7TH AVE. #400  
EUGENE, OR 97401-2649  
(541) 465-6732  
1-800-944-9603
  - ☐ P.O. Box 1557  
COOS BAY, OR 97420-0333  
(541) 269-2609
  - ☐ P.O. Box 2460  
ROSEBURG, OR 97470-0511  
(541) 440-3523
  - ☐ Peter.DeFazio@mail.house.gov

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0246
RECEIPT DATE: 6.30.00
DUE DATE: 6.13.00

ASSIGN: KR-7C  
cc: A3, K, KE, KN, L, P, T,  
Mahar-KC, Mosey-KC

cc: Pat  
Bart



Representative Peter DeFazio  
2134 Rayburn House Office Bldg.  
Washington, DC 20515

KC 2998  
2-6-854

RECEIVED  
MAY 17 2000

Dear Representative Peter DeFazio,

Betsy-

Re: Nucor not paying fair share of BPA Costs

faxed  
4/10/00

As our US Representative and also as a member of the Water and Power Subcommittee with jurisdiction over the Bonneville Power Administration, I would like to enlist your help.

Nucor should pay its fair share of BPA costs.

---

Nucor "flat out refused to pay the \$12,000 in accrued late fees. John Q. Average ratepayer wouldn't get away with that. Why should Nucor?"

"Who will pay ultimately? Power users. Not only will they end up paying Nucor's unpaid balance, they will also get stuck with \$446,370 in study expenses above the \$1 million Nucor cap."

Above quotes are from The World, Feb 8, 2000.

"Nucor Steel paid \$1 million and the other \$446,370 will be paid by power ratepayers, according to Bonneville officials." (The World March 7, 2000).

---

This is not fair! Please help!

Sincerely,

RECEIVED

APR 24 2000

Peter DeFazio  
BONNEVILLE POWER ADMINISTRATION

CC: Concerned citizens, Newspapers, and

David Aycock, Nucor President

(over)

## EDITORIAL

# Power ratepayers want a break, too

Many of those who have followed Nucor's Steel's attempts to build a steel mill at Coos Bay over the last two and half years may be surprised by the company's behavior lately.

Nucor backed out of its negotiations to buy land from Weyerhaeuser in a squabble over who might pay for future pollution. That was surprising perhaps, but understandable.

The surprise came in December, when the Bonneville Power Administration turned over for collection the nation's second largest steelmaker because it wouldn't pay its bills. Nucor owed the federal power agency \$1 million for its share of an environmental study for a transmission line.

Nucor was balking. Company officials didn't seem to want to pay the \$1 million and they flat out refused to pay the \$12,000 in accrued late fees.

John Q. Average ratepayer wouldn't get away with that. Why should Nucor?

Nucor's quibble is even more surprising because Oregonians were so gracious in trying to help the South Coast attract the steel mill to fire up the state's most economically troubled region. Public agencies came up with \$1 million of their own money to fund part of the study. The Legislature approved a tax package that would have given Nucor the biggest tax breaks in state history to build a steel mill here. When the project stalled, Sen. Ron Wyden left Washington, D.C., to get all sides to meet in Coos Bay and move forward again.

No, the surprise is Nucor's response to all those efforts. There are those who will say why quibble over \$12,000?

Why not? Bonneville admits its own ratepayers aren't allowed to pick and choose which parts of their bills they would like to pay or not pay. It's not only the principle of it that's disappointing, it's the audacity of Nucor quibbling over \$12,000 when it is six months late in paying a bill. Bonneville's ultimate indifference to the company's bad behavior is just as disappointing.

Who will pay ultimately? Power users. Not only will they end up paying Nucor's unpaid balance, they will also get stuck with \$446,370 in study expenses above the \$1 million Nucor cap.

People shouldn't just be surprised at what has transpired since Nucor chose to look elsewhere for a steel mill site; they should be angry.

Was Nucor a good corporate citizen here in Oregon? That's hard to answer. Nucor never was a citizen of Oregon.

Based on the company's actions, maybe it's better that way.

March 7, 2000

# Nucor pays up — sort of

By ELISE HAMNER  
City Editor

The Bonneville Power Administration received its overdue payment — at least \$1 million of it — from Nucor Steel.

The federal power agency received confirmation Jan. 31 the nation's second largest steelmaker had paid for its share of an environmental study whether to

build a 500-kilovolt transmission line to Coos Bay. Half of the power would have energized a proposed steel mill on the North Spit. Even though the mill plans were canceled last summer, Nucor had agreed earlier in 1999 to pay for its share of the study if the company chose to end the project.

The payment wired to Bonneville did not include more than

\$12,000 in fees and interest accrued on the overdue payment. Bonneville started trying to collect almost \$730,000 beginning in August 1999, and another \$270,000 starting in November. On Dec. 9, Bonneville enlisted the help of the U.S. Treasury Department to entice Nucor to pay.

It apparently worked. Nucor's Vice President Terry Lisenby, however, refused to

include the interest in fees with the payment, saying in January he thought \$1 million was above and beyond the agreement's terms.

Bonneville officials said Friday that was fine with them.

"We decided to ignore the interest since they decided to pay us the full amount, \$1 million," Bonneville spokesman

*continued*

limit the coalition's ability to wage the battle with television advertising.

Neither side is saying yet how much it plans to spend.

But Scott Gallant, chief lobbyist for the Oregon Medical Association and a spokesman for the pro-limit campaign, said total outlays by both sides are sure to be in the million of dollars.

The Yes on Ballot Measure 81 Committee has hired Winner Wagner Mandabach, a longtime Santa Monica, Cal., political consulting company that specializes in ballot measures.

The firm helped run the 1998 drive for a successful California initiative that allowed Indian tribes to legally run casinos on their land. Tribes backing the measure spent \$63

## BPA won't pursue Nucor's late fees

Nucor pays from Page A1

Perry Gruber said Friday.

However the decision to write off a customer's late fees is not how power officials normally do business.

"No we don't," Gruber said. "With our power customers we don't. This wasn't really a customer. This was a construction partner. It wasn't worth going after it."

Overall, the environmental

impact statement expenses totaled more than \$2.4 million. The first \$1 million in expenses were paid for by federal, state and local grants. Nucor Steel paid \$1 million and the other \$446,370 will be paid by power ratepayers, according to Bonneville officials.

Gruber said the incomplete study information will be made available to other public agencies and the public upon request.



Department of Energy  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

September 29, 2000

In reply refer to: KR-7C

The Honorable Patty Murray  
United States Senate  
Washington, DC 20510-4701

Dear Senator Murray:

This letter is in response to your inquiry of September 7 regarding your constituent, \_\_\_\_\_, owner of Powerhouse Food Services, has requested compensation from Bonneville Power Administration (BPA) related to termination of a contractual relationship with his firm.

On August 9, BPA's attorney sent a letter to \_\_\_\_\_ requesting documentation supporting the amount of his claim. In that letter (Enclosure 1), we encouraged \_\_\_\_\_ to meet with our auditor, saying that this would facilitate our evaluation of his claim. On September 11, our attorney sent another letter (Enclosure 2) asking \_\_\_\_\_ to supply the requested documentation before September 26 in order for us to proceed with the administrative process. While we have not yet seen the documentation, \_\_\_\_\_ has scheduled a meeting with our auditors for October 10 to go over his records.

Our experience is that claims such as \_\_\_\_\_ can sometimes be concluded quickly and sometimes they can stretch out over several months, depending on what is required in order to collect the appropriate documentation. BPA will certainly work to be timely and fair in this process.

We will update you as soon as there is something to report. If you have any other questions, feel free to contact me or have your staff contact our attorney, Ms. Jacilyn Margeson, at 503-230-4020.

Sincerely,

A handwritten signature in cursive script, reading "Judith A. Johansen", is written over the typed name.

Judith A. Johansen  
Administrator and Chief Executive Officer

2 Enclosures

PATTY MURRAY  
WASHINGTON

United States Senate  
WASHINGTON, DC 20510-4704

COMMITTEES:  
APPROPRIATIONS  
BUDGET  
LABOR AND HUMAN RESOURCES  
SELECT COMMITTEE ON ETHICS  
VETERANS' AFFAIRS

September 7, 2000

See 2000-0327

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0404
RECEIPT DATE: 9-8-00
DUE DATE: 9-22-00

Ms. Judi Johansen  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208

~~Design: KR-7-C~~  
cc: L, T, KN

Dear Ms. Johansen:

Please find enclosed a copy of correspondence sent to my Vancouver District office by is concerned because of the difficulties he is experiencing with the Bonneville Power Administration.

I would greatly appreciate any appropriate attention you can give to this matter. If you need any further information, please contact Lisa Deitz in my Vancouver District office at (360) 696-7797.

Thank you for your time and consideration.

Sincerely,

*Patty Murray*  
Patty Murray  
United States Senator

PM/lmd

2930 WETMORE AVENUE  
SUITE 903  
EVERETT, WA 98201  
(206) 259-6515

2988 JACKSON FEDERAL BUILDING  
915 2ND AVENUE  
SEATTLE, WA 98174  
(206) 553-5545

W. 601 1ST AVENUE  
SUITE 506  
SPOKANE, WA 99201  
(509) 624-9515

140 FEDERAL BUILDING  
500 W. 12TH STREET  
VANCOUVER, WA 98660  
(360) 696-7797

402 E. YAKIMA AVENUE  
SUITE 390  
YAKIMA, WA 98901  
(509) 453-7462

July 19, 2000

Senator Ron Wyden  
500 NE Multnomah, Suite 320  
Portland, Oregon 97232

RECEIVED

JUL 28 2000

HON. RON WYDEN  
PORTLAND OFFICE

Dear Senator Wyden:

Please direct any response with regards to this claim to:

~~Any assistance with this unfortunate situation is forever appreciate~~

Sincerely,

July 07,2000

U.S. Department of Energy  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621  
Attention: Judi Johansen, Chief Executive Officer

Re: Contractor Claim

Dear Ms. Johansen:

This letter is a request for restitution due to damages that occurred as a result of the breach of contract. A contract between Bonneville Power Authority (a government agency) and Powerhouse Food Service an emerging, socially, economically, disadvantaged business as outlined in paragraph f-019-008 page 54 of B.P.A. contract # 93AC39530 Ross Complex Cafeteria Contract, Vancouver, Washington. A contract existed between Bonneville Power Authority [B.P.A.] and Powerhouse Food Services [PFS].

- [1] B.P.A. terminated the contract unlawfully and without cause. This action resulted in a severe business and personal financial hardship, by not allowing my business a timely opportunity to relocate or remain at B.P.A. B.P.A.'s demands caused PFS to vacate under duress. We left with inventory and equipment, purchased for use at B.P.A.; some of the purchases were as recent as Jan. 2000.
- [2] Information was negligently misrepresented to me with regards to the status of the contract
- [3] PFS was denied Due Process as provided by the fifth and fourteenth Amendments
- [4] PFS was denied Equal Protection Under The Law
- [5] Basic Business Ethics were violated
- [6] Wrongful interference with a business relationship
- [7] Freedom of Information Act

I am protesting B.P.A.'s handling of our contract. I have been depressed and upset over the manner we've been treated and the loss of our investment of more than \$ 50,000.

- A. On January 31 2000 Michael Tochtrop without warning informed me in writing that our contract had lapsed and no longer existed. We were ordered to vacate B.P.A. in 29 days. The contract allowed 120 days. [Paragraph E-049-100]. According to Paul Martin the contract lapsed October 1997. If this is true, what were the conditions we continued to operate under? What was the status of PFS at B.P.A. Contractor? Employee? or Agent??

Contracts; Implied in fact contract or express contract, in that the conduct of the parties rather than the words. The objective theory of contracts is that intention to enter into a legally binding agreement and

must be judged by the outward objective facts as interpreted by a reasonable person, rather than the party's own secret, subjective intention. I received written requests to provide food services from B.P.A. as late as December 31, 1999. A reasonable person would assume there was a contract and there was an expectation of PFS to perform.

During the first week of Jan 2000, I asked Paul Martin, the facilities manager to intercede on behalf of PFS with the Dept. of Services for the Blind. They announced plans to renew the contract with another vender. He replied that he had obtained an extension for PFS. This was clearly Paul Martins opportunity to inform PFS of their intent not to renew or terminate our contract. Paul Martin chose to negligently misrepresent B.P.A. and the Dept. of Services for the Blind intentions. If Paul had informed me of their intentions I would not have attended the food service convention costing several hundred dollars in Jan 2000. Nor would I have purchased the seven vending machines for the Ross Compound Dec. 1999. I believe Paul Martins behavior was unethical and a violation of trust. I believed that government agents and our legal system should reflect universal moral and ethical principals that are inherit in human nature or natural law. Government is the embodiment of the people and must be held to the highest standards of conduct.

---

**B. PFS was denied Due Process by Mike Tochtrop and Paul Martin.**

I was told by Mike and Paul there was nothing I could do and there was no one I could talk to at B.P.A. with regards to the contract. There was no contract between us. I asked if I could bid on the new contract. I was told no because they wanted to make some changes. I informed them I was open to change. Their response was No. I asked why I would not be allowed to bid the reply was, "We don't have to tell you anything." At this point I felt, powerless, intimidated and useless. I requested of Paul and Mike to delay announcing their decision for one week until I had time to seek counsel and inform my employees.

Upon my return to the cafeteria two days later, our customers and PFS employees wanted to know why we were leaving. Paul Martin had e-mailed all BPA and contract personnel of their decision to terminate our contract.

---

**C. PFS was denied equal Protection under the law: This provision of the Fourteenth Amendment to the Constitution guarantees that no state or agency will deny to any person Within its jurisdiction equal protection under the laws. This clause mandates that agencies State and federal treat similarly situated individuals in a similar manner.**

Prior foodservice contractors had a contract in place at all times at BPA; Therefore, prior contractors were poised to sell or transfer their business, inventory, and supplies. PFS was denied opportunity by not having an express contract in place and not given enough time to sell or relocate our business. No prior food service vendor was terminated without warning or without cause. The African American husband and wife owners of the business were carved from the contract. Part of the contract was awarded to one of my employees. The balance of PSF employees stayed on with the replacement contractor at BPA.

---

**D. Basic Business Ethics were violated; Wrongful interference with a business relationship;**

Feb. 9, 2000 around 2:00 pm I was checking the vending machines at the cafeteria and noticed Mike Tochtrop engaging one of my employees and taking notes. I asked Mike .If I could help him. He said that he was getting information on how the



cafeteria could be run more efficiently. I asked him not to speak with my employees about the cafeteria that I would answer any questions he had with regards to the cafeteria operation. was awarded a part of the food service contract at BPA. What criteria was used to select the Contractors. had no business license. Creative Touch has no listing in the U.S. West, G.T.E., or Regional Telephone directories.

E. PFS was denied information under the Freedom of Information Act.

Jan. 31 2000 I requested a copy of the new food service contract ,it was denied by both Paul Martin and Mike Tochtrop ,nor would either person tell me why.I was excluded from the bid process, their response was, " We don't have to tell you anything".

I am a veteran of 20 years military service, Viet Nam Vet, and A civil rights activist. I have managed institutional food service industry for more than 30 years; Including 5 years for the Bureau of Land Management Portland, Or.

---

We, principals of Powerhouse Food Services LLC hereby request  
restitution in the amount of \$51,990.24 [Documentation provided upon request]

---

Sincerely,

Cc: Bill Richardson, Secretary of Energy  
Cc: Harvey Spigal, General Counsel Bonneville Power Administration  
Cc: Brian Baird, State Representative  
Cc: Patty Murray, U.S. Senate  
Cc: Neil Evans, Civil Rights Division State of Oregon  
Cc: David Walker, Civil Rights Division United States Attorney General, Washington, D.C.  
Cc: Ron Wyden, U.S. Senate



Department of Energy  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

January 17, 2001

In reply refer to: KR-7C

The Honorable Patty Murray  
United States Senate  
Washington, DC 20510

Dear Senator Murray:

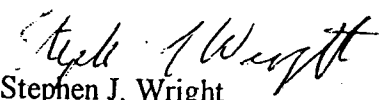
This is in response to your letter of November 13, 2000, requesting that Bonneville Power Administration (BPA) assist the Trust for Public Lands (TPL) in its efforts to purchase the Arrowleaf property in the Methow River Valley, Washington. I apologize for the delay in responding to your letter, but as you are aware, our respective staff have worked closely together on this issue as it developed rapidly over the last several weeks.

The recent announcement that TPL has purchased the land and procured conservation easements is indeed good news in light of your desire to protect the property from further development. As you know, BPA, the Northwest Power Planning Council (Council), and TPL have at the same time been working together to assess the biological benefits of the Arrowleaf project and its potential to help meet the objectives of the Council's Fish and Wildlife Program. The Council's Independent Scientific Review Panel has acknowledged the importance of protecting the property from further development in order to help preserve the habitat of several endangered species that live there. TPL has submitted the project under the Council's high priority funding process. This process will conclude in March 2001 with final recommendations of projects for BPA funding.

I am pleased that TPL has been able to arrange purchase of the Arrowleaf property and that potential funding through the Council program remains an option for helping TPL to preserve this valuable fish and wildlife habitat into the future. BPA will continue to work with TPL staff, particularly Craig Lee (Project Lead), throughout this process.

Please contact me if I can be of any further assistance at this time.

Sincerely,

  
Stephen J. Wright  
Acting Administrator and  
Chief Executive Officer

PATTY MURRAY  
WASHINGTON

# United States Senate

WASHINGTON, DC 20510-4704

COMMITTEES:  
APPROPRIATIONS  
BUDGET  
HEALTH, EDUCATION, LABOR  
AND PENSIONS  
VETERANS' AFFAIRS

November 13, 2000

Ms. Judi Johansen  
Administrator  
Bonneville Power Administration (BPA)  
U.S. Department of Energy  
P.O. Box 3621  
Portland, Oregon 97208

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000.0500
RECEIPT DATE: 11-14-00
DUE DATE: 11-28-00

Dear Ms. Johansen:

ASSIGN: ~~KR-7C~~  
cc: A-7, D-7, K-7, KN/Wash, KE-4, KR-7, TR-3  
*Pat/Bart/Cindy/Rob*

As a follow-up to our recent meeting, this letter was originally intended to reiterate my strong support for the efforts of the Trust for Public Land ("TPL") to secure \$5 million in funding, under the "High Priority Action" element of BPA's Fish and Wildlife Program, for the acquisition of the Arrowleaf property. Since our meeting, however, it has become increasingly clear to me that procedural delays will prevent TPL from acquiring the Arrowleaf property -- unless steps are taken immediately to expedite the process. I am, therefore, now writing this letter to urge you to take those necessary steps and use your authority as Administrator to provide a \$5 million appropriation for the acquisition of the Arrowleaf property.

The Arrowleaf property, nestled in the north end of the Methow Valley, is a place of uncommon beauty. But its importance goes well beyond its beauty. The Methow River runs along the Arrowleaf property for more than four miles. The area contains approximately 360 acres of flood plain, with braided stream channels and intact riparian forest, making it ideal habitat for spring chinook salmon, summer steelhead, bull trout, and the westslope cutthroat trout, which is under review for ESA listing. In addition, the acquisition will conserve 1,100 acres which support 15 wildlife species that are either listed, sensitive, or of concern.

Because of its natural beauty and spectacular surroundings, the property is extremely threatened by development. It is the largest and most threatened parcel in the Methow River watershed. Given the benefits that would result from the protection of the Arrowleaf property, the great demand for riverfront property for residential and resort development and the much higher cost to the public to remediate the impacts on listed species after development occurs, the protection of Arrowleaf merits BPA's support.

TPL has until December 21<sup>st</sup> to raise \$17 million to acquire the Arrowleaf property from R.S. Merrill. If they are unable to meet this obligation, TPL will be forced to abandon this potential acquisition. The property will be sold to the highest bidder.

acquisition, the property will be developed and this extraordinary habitat irrevocably lost.

2930 WETMORE AVENUE  
SUITE 903  
EVERETT, WA 98201-4107  
(425) 259-6515

2988 JACKSON FEDERAL BUILDING  
915 2ND AVENUE  
SEATTLE, WA 98174-1003  
(206) 553-5545

601 WEST MAIN  
SUITE 1213  
SPOKANE, WA 99201-0613  
(509) 624-9515

500 W. 12TH STREET  
140 FEDERAL BUILDING  
VANCOUVER, WA 98660-2871  
(360) 696-7797

402 E. YAKIMA AVENUE  
SUITE 390  
YAKIMA, WA 98901-2760  
(509) 453-7462

PRINTED ON RECYCLED PAPER  
E-mail: [senator\\_murray@murray.senate.gov](mailto:senator_murray@murray.senate.gov)  
Internet: <http://murray.senate.gov>

As you know, the Northwest Power Planning Council ("Council") has been engaged in amending the Fish and Wildlife Program since January 12, 2000. In April, the Council announced the creation of a High Priority (or Early Action) program as part of Phase I of the amendment process. At that time, the Council raised the possibility that the High Priority program might be "placed on a faster time-track" than Phase I, which was originally scheduled to be completed by August 30th.

I have been informed that the Arrowleaf acquisition falls squarely within the criteria for the High Priority program and that TPL has worked diligently with the Council to seek funding under the High Priority program. Unfortunately, the amendment process has been extended and the Council's timetable has now slipped to the point that funding under the High Priority program probably will not be available until the end of February at the earliest. This represents a delay of four months from the Council's initial projection of when funding would be available. The Arrowleaf acquisition should not be jeopardized because of this delay.

TPL only has one month remaining to identify its funding sources. The delays in the amendment process and, consequently, the delays in implementing the High Priority program have created the very real possibility that TPL's deal to acquire Arrowleaf will die before any funding is made available. This would be a tragic outcome for the entire Northwest but most especially for the Methow Valley and its endangered salmon runs.

Furthermore, the Arrowleaf acquisition seems to embody the principle purpose of the Fish and Wildlife Program -- "to protect, mitigate, and enhance fish and wildlife." In other words, delaying the funding of the Arrowleaf acquisition and, as a result, preventing TPL from meeting their December 21<sup>st</sup> deadline will deny BPA a rare opportunity to fully realize this purpose. Simply put, the procedural limbo that the Arrowleaf acquisition is currently in goes against common sense and your help is clearly needed. Again, I urge you to use your authority as Administrator to provide a \$5 million appropriation to TPL for the acquisition of this highly threatened habitat.

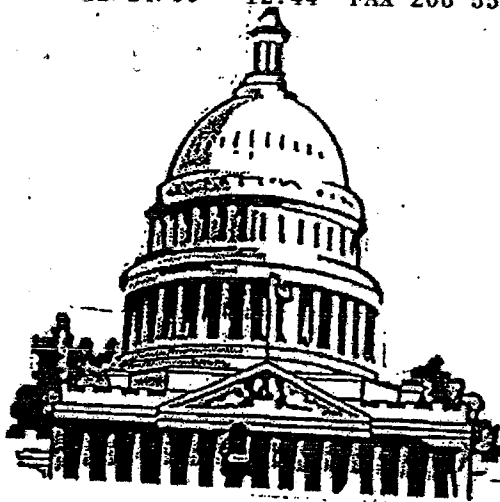
Finally, thank you for the strong leadership and vision that you brought to BPA during your tenure. I wish you only the best in your future endeavors.

If you have any questions regarding the matters discussed in this letter, please contact John Engber on my staff (206-553-0701).

Sincerely,

*Patty Murray*

Patty Murray  
United States Senator



# U.S. SENATOR PATTY MURRAY WASHINGTON

## COMMITTEES

Appropriations  
Labor and Human Resources  
Budget  
Veterans Affairs

Date: November 14, 2000

To: Judi Johansen

Steve Wright

From: John Engber

Number of Pages (including cover sheet): 3

Message:

URGENT --- PLEASE DELIVER IMMEDIATELY  
THANK YOU.

2988 Jackson Federal Bldg.  
915 Second Avenue  
Seattle, WA 98174  
(206)553-5545 phone



Department of Energy  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

September 29, 2000

In reply refer to: KR-7C

The Honorable Slade Gorton  
United States Senate  
Washington, DC 20510-4701

Dear Senator Gorton:

This letter is to update you on the status of your constituent, [redacted], owner of Powerhouse Food Services, and his request for compensation from Bonneville Power Administration (BPA) related to termination of a contractual relationship with his firm. Enclosed are copies of our correspondence on this issue for your reference.

On August 9, BPA's attorney sent a letter to [redacted]; requesting documentation supporting the amount of his claim. In that letter (Enclosure 1), we encouraged [redacted] to meet with our auditor, saying that this would facilitate our evaluation of his claim. On September 11, our attorney sent another letter (Enclosure 2) asking [redacted] to supply the requested documentation before September 26 in order for us to proceed with the administrative process. While we have not yet seen the documentation, [redacted] has scheduled a meeting with our auditors for October 10 to go over his records.

Our experience is that claims such as [redacted] can sometimes be concluded quickly and sometimes they can stretch out over several months, depending on what is required in order to collect the appropriate documentation. BPA will certainly work to be timely and fair in this process.

We will update you as soon as there is something to report. If you have any other questions, feel free to contact me or have your staff contact our attorney, Ms. Jacilyn Margeson, at 503-230-4020.

Sincerely,

A handwritten signature in cursive script, reading "Judith A. Johansen", is written over a printed name and title.

Judith A. Johansen  
Administrator and Chief Executive Officer

2 Enclosures



Department of Energy  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

Enclosure 1

GENERAL COUNSEL

August 9, 2000

In reply refer to: LC/7

Dear

---

Our office is in receipt of your letter dated July 7, 2000, claiming \$51,990.24 from the Bonneville Power Administration.

In the last paragraph of your letter, you offer to provide documentation that supports the amount of your claim. We are interested in seeing the documentation and back-up material you offered to provide. Please send this information to our office at your earliest convenience.

In addition, we would also like to offer you an opportunity to go over these records together with our auditor, Dave Mattson, at a mutually convenient time. We believe that a meeting between you and Mr. Mattson will facilitate our evaluation of your claim in the case that additional information or clarification of these records is needed.

If you wish to set up an appointment with Mr. Mattson, he may be reached at (360) 418-2901 or (503) 230-3332. If you have any questions, please contact me at (503) 230-4020, or Bob Jones at (503) 230-4030.

Sincerely,

A handwritten signature in cursive script that reads "Jacilyn R. Margeson".

Jacilyn R. Margeson  
Attorney





Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

Enclosure 2

GENERAL COUNSEL

September 11, 2000

In reply refer to: LC-7

Dear \_\_\_\_\_

By letter dated July 7, 2000, you offered to provide BPA with the documentation that supports the claim you submitted to BPA. On August 9, 2000, I asked you for this documentation and backup materials. In addition, I also offered to you the opportunity to go over these records with our auditor. To date, neither Mr. Mattson nor I have heard from you or received any information from you.

I again repeat my request for this information and ask that you respond within the next two weeks. I am unable to proceed with your claim without this information. Consequently, if we do not hear from you by close of business on September 26, 2000, continuing with the administrative process seems pointless and I will deny your administrative claim.

Mr. Mattson is still available if you would like to meet with him. His telephone number is (360) 418-2901 or (503) 230-3332. If you have any questions, please contact me at (503) 230-4020, or Bob Jones at (503) 230-4030.

Sincerely,

A handwritten signature in cursive script that reads "Jacilyn R. Margeson".

Jacilyn R. Margeson  
Attorney

## Folder Profile

Control #	2000-019259	Name	Letter to Secretary Richardson from
Priority	Important	Folder Trigger	Letter
DOE Addressee	Bill Richardson	Source	PM-I
Subject Text	Requests DOE assistance regarding restitution due to damage that occurred as a result of the breach of contract	Date Received	7/25/00
Action Office #		Correspondence Date	7/19/00
Signature/Approval	BPA	RIDS Information	Head of Agency
Action Requested	Prepare Response	Sensitivity	Not Applicable
Special Instructions	Interim sent 8/8/00 signed by BPA/Johanson. Due date is 9/13/00.	Classification	None
		Point of Contact	HOLLOWAG
		Organization ID	EXECCORR2
		Assigned To	BPA
		Date Due	9/27/00
		Date Completed	

July 7, 2000

Senator Slade Gordon  
730 Hart Senate Office Bldg.  
Washington, D.C. 20510

Dear Senator Gordon:

Please direct any response with regards to this claim to:

ASSIGN: **KR-7C**  
cc: A2, L, T

Any assistance with this unfortunate situation is forever appreciated.

Sincerely, /

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0327
RECEIPT DATE: 7.20.00
DUE DATE: 8.3.00

Powerhouse Foodservices LLC  
P.O. Box 2758  
Vancouver, Washington 98668  
TEL (360) 573 1668

July 07, 2000

U.S. Department of Energy  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621  
Attention: Judi Johansen, Chief Executive Officer

Re: Contractor Claim

Dear Ms Johansen:

This letter is a request for restitution due to damages that occurred as a result of the breach of contract. A contract between Bonneville Power Authority (a government agency) and Powerhouse Food Service an emerging, socially, economically, disadvantaged business as outlined in paragraph f-019-008 page 54 of B.P.A. contract # 93AC39530 Ross Complex Cafeteria Contract, Vancouver, Washington. A contract existed between Bonneville Power Authority [B.P.A.] and Powerhouse Food Services [PFS].

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- [3] PFS was denied Due Process as provided by the fifth and fourteenth Amendments
- [4] PFS was denied Equal Protection Under The Law
- [5] Basic Business Ethics were violated
- [6] Wrongful interference with a business relationship
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- A. On January 31 2000 Michael Tochtrop without warning informed me in writing that our contract had lapsed and no longer existed. We were ordered to vacate B.P.A. in 29 days. The contract allowed 120 days. [Paragraph E-049-100]. According to Paul Martin the contract lapsed October 1997. If this is true, what were the conditions we continued to operate under? What was the status of PFS at B.P.A. Contractor? Employee? or Agent??

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I am a veteran of 20 years military service, Viet Nam Vet, and A civil rights activist. I have managed institutional food service industry for more than 30 years; Including 5 years for the Bureau of Land Management Portland, Or.

We, principals of Powerhouse Food Services LLC hereby request restitution in the amount of \$51,990.24 [Documentation provided upon request]

Sincerely,

Cc: Bill Richardson, Secretary of Energy  
Cc: Harvey Spigal, General Counsel Bonneville Power Administration  
Cc: Brian Baird, State Representative  
Cc: Patty Murray, U.S. Senate  
Cc: Coordination and Review Section, Dept. of Justice

Folder Profile	
Control # 2000-019259	Name Letter to Secretary Richardson from I
Priority Important	Folder Trigger Letter
DOE Addressee Bill Richardson	Source PM-I
Subject Text Requests DOE assistance regarding restitution due to damage that occurred as a result of the breach of contract	Date Received 7/25/00
Action Office #	Correspondence Date 7/19/00
Signature/Approval BPA	RIDS Information Head of Agency
	Sensitivity Not Applicable
	Classification None
	Point of Contact HOLLOWAG
	Organization ID EXECCORR2
Action Requested Prepare Response	Assigned To BPA
Special Instructions Interim sent 8/8/00 signed by BPA/Johansen. Due date is 9/13/00	Date Due 9/13/00
	Date Completed



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

AUG 08 2000

In reply refer to: KR-7C

The Honorable Slade Gorton  
United States Senate  
Washington, DC 20510-4701

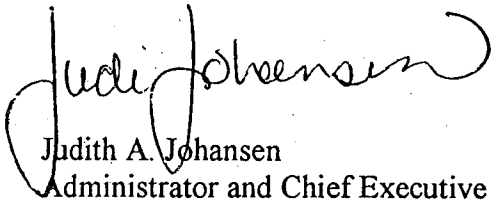
Dear Senator Gorton:

This letter is written to address the request for assistance sent to you from the owner of Powerhouse Food Services, dated July 7, 2000. The owner is asking for compensation from Bonneville Power Administration (BPA) related to termination of a contractual relationship with his firm. In addition to his letter to you, the owner also sent a letter to Bonneville. For your reference, enclosed are copies of each.

A team consisting of members from our Contracting and Legal groups has been tasked to review "Contractor Claim." Their efforts are presently underway. One difficulty is that the contract with Powerhouse Food Services was not terminated; the term of the contract had ended. It is not immediately clear whether the compensation request should be handled as a contract claim under the Contract Disputes Act or authorized alternative dispute resolution processes or as a Tort claim under the Federal Tort Claims Act.

We will apprise you of our findings by the end of August.

Sincerely,



Judith A. Johansen  
Administrator and Chief Executive Officer

2 Enclosures:

copy of letter from : to Senator Gorton  
copy of letter from to Judith Johansen



July 7, 2000

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Cc: Coordination and Review Section, Dept. of Justice



Department of Energy  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

August 11, 2000

In reply refer to: KR-7C

The Honorable Peter DeFazio  
U.S. House of Representatives  
Washington, DC 20515

---

Dear Representative DeFazio:

Enclosed for your information is the response I sent your constituent regarding  
"water spreading." I trust this responds to your request. If you need any more information,  
please contact me.

Sincerely,

A handwritten signature in cursive script, reading "Judith A. Johansen", is written above the printed name.

Judith A. Johansen  
Administrator and Chief Executive Officer

Enclosure



## Department of Energy

Official File Copy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

AUG 11 2000

In reply refer to: KR-7C

Dear \_\_\_\_\_

Representative Peter DeFazio has asked that I respond to your letter, received in his office on June 23, 2000, as it relates to the Columbia River Treaty (Treaty). I am the Administrator of the Bonneville Power Administration (BPA) and also serve as Chair of the U.S. Entity, which carries out most of the U.S. Government responsibilities under that Treaty.

I have included a copy of the Treaty for your review. Several statements in the material you sent Representative DeFazio are contradicted by the Treaty language itself. These issues are addressed below.

After the Treaty was ratified by Canada's Parliament, it became effective on September 16, 1964. The minimum length of the Treaty is 60 years (Article XIX, Section 2) or until September 15, 2024. It can only end then if either the U.S. or Canada has given ten years' advance notice. If neither does, the Treaty continues until ten years after the notice is given. The Treaty calls for a total storage space of 15.5 million acre-feet in Canada (Article II, Section 2).

The Canadians elected to build Mica Dam five million acre-feet larger than the Treaty requirement. They financed this increase with their own money. According to the Treaty (Article IV, Section 5) the additional storage may not be operated in a manner that decreases Treaty benefits. The Canadians control the storage under an agreement that provides mutual benefits to both BPA and B.C. Hydro, referred to as Non-Treaty Storage.

According to the Treaty, the Canadians can divert a portion of the Kootenay River near Canal Flats beginning September 15, 1984, but they can do so only into the Columbia River headwaters, and only in certain amounts and during periods of time (Article XIII, Sections 2, 3, and 4). So far the Canadians have not elected to do so, and we are not aware that they plan to. Treaty Article XIII prohibits any diversion of Columbia River water outside the Columbia River Basin as long as the Treaty is in effect.

As you mention in your letter and attached materials, a consortium of 41 utilities called the Columbia Storage Power Exchange (CSPE), sold municipal bonds and paid Canada \$255 million for its share of increased power capability so that the Canadian dams could be built. The purchase, referred to as the Canadian Entitlement, was for the first half of the Treaty's minimum period, or 30 years. As each dam came into service (1968, 1969, and 1973), the Canadian Entitlement power went to CSPE utilities. As the initial 30-year period expires for each dam (1998, 1999, and 2003), that portion of Canadian Entitlement is no longer owned by CSPE utilities and is returned to Canada. Canada could choose to sell that power to the utilities in CSPE, but it is no longer, strictly speaking, the Canadian Entitlement.

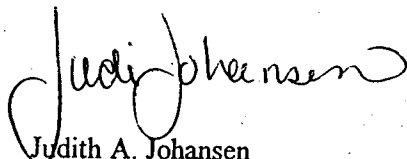
The Treaty requires that the Entitlement be delivered to Canada at a point on the border near Oliver, BC, unless the entities otherwise agree on an alternate point (Article V, Section 2). In 1996, the U.S. and Canadian Entities did otherwise agree on an alternate point of delivery of Canadian Entitlement. The new delivery point uses existing interconnections between BPA's and B.C. Hydro's transmission systems north of Seattle and Spokane, so that a new power line does not have to be built. BPA pays the costs of the transmission at that delivery point, but the Treaty does not require the U.S. to pay all costs to deliver power to Vancouver, BC, as you state. The Canadians also have the right, under Article VIII, Section 1, to directly dispose of their Entitlement in the U.S. without having to take that power to the U.S.-Canada border. They have not yet taken advantage of this option.

As for your rate concerns, the Canadians are able to sell their power in the U.S. at market rates, as are most other power owners. Certainly it will be much higher than the 2.5 to 2.7 mills per kilowatthour figure used in the early 1960's when the original \$255 million figure was calculated.

~~As a final matter, your address for the U.S. Entity is correct; however, the address for the Canadian Entity is B.C. Hydro and Power Authority, 333 Dunsmuir, 18<sup>th</sup> Floor, Vancouver, BC, Canada V6B 5R3.~~

I hope this information will be of use to you.

Sincerely,



Judith A. Johansen  
Administrator and Chief Executive Officer  
Bonneville Power Administration and  
Chair, U.S. Entity, Columbia River Treaty

Enclosure

cc:

The Honorable Peter DeFazio  
U.S. House of Representatives  
Washington, DC 20515

**TREATY BETWEEN THE UNITED STATES OF AMERICA AND CANADA**  
**RELATING TO COOPERATIVE DEVELOPMENT OF THE WATER RESOURCES OF THE**  
**COLUMBIA RIVER BASIN, AND THE DOCUMENTS ASSOCIATED THEREWITH**



# INTERNATIONAL DOCUMENTS

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(h) "International Joint Commission" means the Commission established under Article VII of the Boundary Waters Treaty, 1909, or any body designated by the United States of America and Canada to succeed to the functions of the Commission under this Treaty;

(i) "maintenance curtailment" means an interruption or curtailment which the entity responsible therefor considers necessary for purposes of repairs, replacements, installations of equipment, performance of other maintenance work, investigations and inspections;

(j) "monthly load factor" means the ratio of the average load for a month to the integrated maximum load over one hour during that month;

(k) "normal full pool elevation" means the elevation to which water is stored in a reservoir by deliberate impoundment every year, subject to the availability of sufficient flow;

(l) "ratification date" means the day on which the instruments of ratification of the Treaty are exchanged;

(m) "storage" means the space in a reservoir which is usable for impounding water for flood control or for regulating stream flows for hydroelectric power generation;

(n) "Treaty" means this Treaty and its Annexes A and B;

(o) "useful life" means the time between the date of commencement of operation of a dam or facility and the date of its permanent retirement from service by reason of obsolescence or wear and tear which occurs notwithstanding good maintenance practices.

2. The exercise of any power, or the performance of any duty, under the Treaty does not preclude a subsequent exercise or performance of the power or duty.

## ARTICLE II

### *Development by Canada*

1. Canada shall provide in the Columbia River basin in Canada 15,500,000 acre-feet of storage usable for improving the flow of the Columbia River.

2. In order to provide this storage, which in the Treaty is referred to as the Canadian storage, Canada shall construct dams:

(a) on the Columbia River near Mica Creek, British Columbia, with approximately 7,000,000 acre-feet of storage;

(b) near the outlet of Arrow Lakes, British Columbia, with approximately 7,100,000 acre-feet of storage; and

(c) on one or more tributaries of the Kootenay River in British Columbia downstream from the Canada-United States of America boundary with storage equivalent in effect to approximately 1,400,000 acre-feet of storage near Duncan Lake, British Columbia.

3. Canada shall commence construction of the dams as soon as possible after the ratification date.

control operation shall be as set out in Articles V and VI.

5. Any water resource development, in addition to the Canadian storage, constructed in Canada after the ratification date shall not be operated in a way that adversely affects the stream flow control in the Columbia River within Canada so as to reduce the flood control and hydroelectric power benefits which the operation of the Canadian storage in accordance with the operating plans in force from time to time would otherwise produce.

6. As soon as any Canadian storage becomes operable Canada shall commence operation thereof in accordance with this Article and in any event shall commence full operation of the Canadian storage described in Article II(2)(b) and Article II(2)(c) within five years of the ratification date and shall commence full operation of the balance of the Canadian storage within nine years of the ratification date.

## ARTICLE V

### *Entitlement to Downstream Power Benefits*

1. Canada is entitled to one half the downstream power benefits determined under Article VII.

~~2. The United States of America shall deliver to Canada at a point on the Canada-United States of America boundary near Oliver, British Columbia, or at such other place as the entities may agree upon, the downstream power benefits to which Canada is entitled, less~~

- ~~(a) transmission loss,~~
- ~~(b) the portion of the entitlement disposed of under Article VIII(1), and~~
- ~~(c) the energy component described in Article VIII(4).~~

3. The entitlement of Canada to downstream power benefits begins for any portion of Canadian storage upon commencement of its operation in accordance with Annex A and pursuant to a hydroelectric operating plan made thereunder.

## ARTICLE VI

### *Payment for Flood Control*

1. For the flood control provided by Canada under Article IV(2)(a) the United States of America shall pay Canada in United States funds:

- (a) 1,200,000 dollars upon the commencement of operation of the storage referred to in subparagraph (a)(i) thereof,
- (b) 52,100,000 dollars upon the commencement of operation of the storage referred to in subparagraph (a)(ii) thereof, and
- (c) 11,100,000 dollars upon the commencement of operation of the storage referred to in subparagraph (a)(iii) thereof.

2. If full operation of any storage is not commenced within the time specified in Article IV, the amount set forth in paragraph (1) of this Article with respect to that storage shall be reduced as follows:

- (a) under paragraph (1)(a), 4,500 dollars for each month beyond the required time,
- (b) under paragraph (1)(b), 192,100 dollars for each month beyond the required time, and

2. The entities may arrange and carry out exchanges of dependable hydroelectric capacity and average annual usable hydroelectric energy to which Canada is entitled for average annual usable hydroelectric energy and dependable hydroelectric capacity respectively.

3. Energy to which Canada is entitled may not be used in the United States of America except in accordance with paragraphs (1) and (2).

4. The bypassing at dams on the main stem of the Columbia River in the United States of America of an amount of water which could produce usable energy equal to the energy component of the downstream power benefits to which Canada is entitled but not delivered to Canada under Article V or disposed of in accordance with paragraphs (1) and (2) at the time the energy component was not so delivered or disposed of, is conclusive evidence that such energy component was not used in the United States of America and that the entitlement of Canada to such energy component is satisfied.

## ARTICLE IX

### *Variation of Entitlement to Downstream Power Benefits*

1. If the United States of America considers with respect to any hydroelectric power project planned on the main stem of the Columbia River between Priest Rapids Dam and McNary Dam that the increase in entitlement of Canada to downstream power benefits resulting from the operation of the project would produce a result which would not justify the United States of America in incurring the costs of construction and operation of the project, Canada and the United States of America at the request of the United States of America shall consider modification of the increase in entitlement.

2. An agreement reached for the purposes of this Article shall be evidenced by an exchange of notes.

## ARTICLE X

### *East-West Standby Transmission*

1. The United States of America shall provide in accordance with good engineering practice east-west standby transmission service adequate to safeguard the transmission from Oliver, British Columbia, to Vancouver, British Columbia, of the downstream power benefits to which Canada is entitled and to improve system stability of the east-west circuits in British Columbia.

2. In consideration of the standby transmission service, Canada shall pay the United States of America in Canadian funds the equivalent of 1.50 United States dollars a year for each kilowatt of dependable hydroelectric capacity included in the downstream power benefits to which Canada is entitled.

3. When a mutually satisfactory electrical coordination arrangement is entered into between the entities and confirmed by exchange of notes between Canada and the United States of America the obligation of Canada in paragraph (2) ceases.

## ARTICLE XI

### *Use of Improved Stream Flow*

1. Improvement in stream flow in one country brought about by operation of storage con-

9. If Canada considers that any portion of the land referred to in paragraph (4) is no longer needed for the purpose of this Article Canada and the United States of America, at the request of Canada, shall consider modification of the obligation of Canada in paragraph (4).

10. If the Treaty is terminated before the end of the useful life of the dam Canada shall for the remainder of the useful life of the dam continue to make available for the storage reservoir of the dam any portion of the land made available under paragraph (4) that is not required by Canada for purposes of diversion of the Kootenay River under Article XIII.

## ARTICLE XIII

### *Diversions*

1. Except as provided in this Article neither Canada nor the United States of America shall, without the consent of the other evidenced by an exchange of notes, divert for any use, other than consumptive use, any water from its natural channel in a way that alters the flow of any water as it crosses the Canada-United States of America boundary within the Columbia River basin.

2. Canada has the right, after the expiration of twenty years from the ratification date, to divert not more than 1,500,000 acre-feet of water a year from the Kootenay River in the vicinity of Canal Flats, British Columbia, to the headwaters of the Columbia River, provided that the diversion does not reduce the flow of the Kootenay River immediately downstream from the point of diversion below the lesser of 200 cubic feet per second or the natural flow.

3. Canada has the right, exercisable at any time during the period commencing sixty years after the ratification date and expiring one hundred years after the ratification date, to divert to the headwaters of the Columbia River any water which, in its natural channel, would flow in the Kootenay River across the Canada-United States of America boundary, provided that the diversion does not reduce the flow of the Kootenay River at the Canada-United States of America boundary near Newgate, British Columbia, below the lesser of 2500 cubic feet per second or the natural flow.

4. During the last twenty years of the period within which Canada may exercise the right to divert described in paragraph (3) the limitation on diversion is the lesser of 1000 cubic feet per second or the natural flow.

5. Canada has the right:

- (a) if the United States of America does not exercise the option in Article XII(1), or
- (b) if it is determined that the United States of America, having exercised the option, did not commence construction of the dam referred to in Article XII in accordance therewith or that the United States of America is in breach of the obligation in that Article to commence full operation of the storage,

to divert to the headwaters of the Columbia River any water which, in its natural channel, would flow in the Kootenay River across the Canada-United States of America boundary, provided that the diversion does not reduce the flow of the Kootenay River at the Canada-United States of America boundary near Newgate, British Columbia, below the lesser of 1000 cubic feet per second or the natural flow.

6. If a variation in the use of the water diverted under paragraph (2) is considered by the United States of America to be of advantage to it Canada shall, upon request, consult with the

4. Canada and the United States of America may by an exchange of notes empower or charge the entities with any other matter coming within the scope of the Treaty.

## ARTICLE XV

### *Permanent Engineering Board*

1. A permanent Engineering Board is established consisting of four members, two to be appointed by Canada and two by the United States of America. The initial appointments shall be made within three months of the ratification date.

2. The Permanent Engineering Board shall:

(a) assemble records of the flows of the Columbia River and the Kootenay River at the Canada-United States of America boundary;

(b) report to Canada and the United States of America whenever there is substantial deviation from the hydroelectric and flood control operating plans and if appropriate include in the report recommendations for remedial action and compensatory adjustments;

~~(c) assist in reconciling differences concerning technical or operational matters that may arise between the entities;~~

(d) make periodic inspections and require reports as necessary from the entities with a view to ensuring that the objectives of the Treaty are being met;

(e) make reports to Canada and the United States of America at least once a year of the results being achieved under the Treaty and make special reports concerning any matter which it considers should be brought to their attention;

(f) investigate and report with respect to any other matter coming within the scope of the Treaty at the request of either Canada or the United States of America.

3. Reports of the Permanent Engineering Board made in the course of the performance of its functions under this Article shall be prima facie evidence of the facts therein contained and shall be accepted unless rebutted by other evidence.

4. The Permanent Engineering Board shall comply with directions, relating to its administration and procedures, agreed upon by Canada and the United States of America as evidenced by an exchange of notes.

## ARTICLE XVI

### *Settlement of Differences*

1. Differences arising under the Treaty which Canada and the United States of America cannot resolve may be referred by either to the International Joint Commission for decision.

2. If the International Joint Commission does not render a decision within three months of the referral or within such other period as may be agreed upon by Canada and the United States of America, either may then submit the difference to arbitration by written notice to the other.

3. Arbitration shall be a tribunal composed of a member appointed by Canada, a member appointed by the United States of America and a member appointed jointly by Canada and the United States of America who shall be Chairman. If within six weeks of the delivery of a notice under

maintenance curtailment.

2. Except as provided in paragraph (1) neither Canada nor the United States of America shall be liable to the other or to any person in respect of any injury, damage or loss occurring in the territory of the other caused by any act, failure to act, omission or delay under the Treaty whether the injury, damage or loss results from negligence or otherwise.

3. Canada and the United States of America, each to the extent possible within its territory, shall exercise due diligence to remove the cause of and to mitigate the effect of any injury, damage or loss occurring in the territory of the other as a result of any act, failure to act, omission or delay under the Treaty.

4. Failure to commence operation as required under Articles IV and XII is not a breach of the Treaty and does not result in the loss of rights under the Treaty if the failure results from a delay that is not wilful or reasonably avoidable.

5. The compensation payable under paragraph (1):

(a) in respect of a breach by Canada of the obligation to commence full operation of a storage, shall be forfeiture of entitlement to downstream power benefits resulting from ~~the operation of that storage, after operation commences, for a period equal to the period between the day of commencement of operation and the day when commencement should have occurred;~~

(b) in respect of any other breach by either Canada or the United States of America, causing loss of power benefits, shall not exceed the actual loss in revenue from the sale of hydroelectric power.

## ARTICLE XIX

### *Period of Treaty*

1. The Treaty shall come into force on the ratification date.

2. Either Canada or the United States of America may terminate the Treaty other than Article XIII (except paragraph (1) thereof), Article XVII and this Article at any time after the Treaty has been in force for sixty years if it has delivered at least ten years written notice to the other of its intention to terminate the Treaty.

3. If the Treaty is terminated before the end of the useful life of a dam built under Article XII then, notwithstanding termination, Article XII remains in force until the end of the useful life of the dam.

4. If the Treaty is terminated before the end of the useful life of the facilities providing the storage described in Article IV(3) and if the conditions described therein exist then, notwithstanding termination, Articles IV(3) and VI(4) and (5) remain in force until either the end of the useful life of those facilities or until those conditions cease to exist, whichever is the first to occur.

## ARTICLE XX

### *Ratification*

The instruments of ratification of the Treaty shall be exchanged by Canada and the United States of America at Ottawa, Canada.

## ANNEX A

### *Principles of Operation*

#### **General:**

1. The Canadian storage provided under Article II will be operated in accordance with the procedures described herein.

2. A hydrometeorological system, including snow courses, precipitation stations and stream flow gauges will be established and operated, as mutually agreed by the entities and in consultation with the Permanent Engineering Board, for use in establishing data for detailed programming of flood control and power operations. Hydrometeorological information will be made available to the entities in both countries for immediate and continuing use in flood control and power operations.

3. Sufficient discharge capacity at each dam to afford the desired regulation for power and flood control will be provided through outlet works and turbine installations as mutually agreed by the entities. The discharge capacity provided for flood control operations will be large enough to pass inflow plus sufficient storage releases during the evacuation period to provide the storage space required. ~~The discharge capacity will be evaluated on the basis of full use of any conduits provided for that purpose plus one half the hydraulic capacity of the turbine installation at the time of commencement of the operation of storage under the Treaty.~~

4. The outflows will be in accordance with storage reservation diagrams and associated criteria established for flood control purposes and with reservoir-balance relationships established for power operations. Unless otherwise agreed by the entities the average weekly outflows shall not be less than 3000 cubic feet per second at the dam described in Article II(2)(a), not less than 5000 cubic feet per second at the dam described in Article II(2)(b) and not less than 1000 cubic feet per second at the dam described in Article II(2)(c). These minimum average weekly releases may be scheduled by the Canadian entity as required for power or other purposes.

#### **Flood Control:**

5. For flood control operation, the United States entity will submit flood control operating plans which may consist of or include flood control storage reservation diagrams and associated criteria for each of the dams. The Canadian entity will operate in accordance with these diagrams or any variation which the entities agree will not derogate from the desired aim of the flood control plan. The use of these diagrams will be based on data obtained in accordance with paragraph 2. The diagrams will consist of relationships specifying the flood control storage reservations required at indicated times of the year for volumes of forecast runoff. After consultation with the Canadian entity the United States entity may from time to time as conditions warrant adjust these storage reservation diagrams within the general limitations of flood control operation. Evacuation of the storages listed hereunder will be guided by the flood control storage reservation diagrams and refill will be as requested by the United States entity after consultation with the Canadian entity. The general limitations of flood control operation are as follows:

(a) The Dam described in Article II(2)(a) – The reservoir will be evacuated to provide up to 80,000 acre-feet of storage, if required, for flood control use by May 1 of each year.

(b) The Dam described in Article II(2)(b) – The reservoir will be evacuated to provide up to 7,100,000 acre-feet of storage, if required, for flood control use by May 1 of each year.



## ANNEX B

### *Determination of Downstream Power Benefits*

1. The downstream power benefits in the United States of America attributable to operation in accordance with Annex A of the storage provided by Canada under Article II will be determined in advance and will be the estimated increase in dependable hydroelectric capacity in kilowatts for agreed critical stream flow periods and the increase in average annual usable hydroelectric energy output in kilowatt hours on the basis of an agreed period of stream flow record.

2. The dependable hydroelectric capacity to be credited to Canadian storage will be the difference between the average rates of generation in kilowatts during the appropriate critical stream flow periods for the United States of America base system, consisting of the projects listed in the table, with and without the addition of the Canadian storage, divided by the estimated average critical period load factor. The capacity credit shall not exceed the difference between the capability of the base system without Canadian storage and the maximum feasible capability of the base system with Canadian storage, to supply firm load during the critical stream flow periods.

3. The increase in the average annual usable hydroelectric energy will be determined by first computing the difference between the available hydroelectric energy at the United States base system with and without Canadian storage. The entities will then agree upon the part of available energy which is usable with and without Canadian storage, and the difference thus agreed will be the increase in average annual usable hydroelectric energy. Determination of the part of the energy which is usable will include consideration of existing and scheduled transmission facilities and the existence of markets capable of using the energy on a contractual basis similar to the then existing contracts. The part of the available energy which is considered usable shall be the sum of:

(a) the firm energy,

(b) the energy which can be used for thermal power displacement in the Pacific Northwest Area as defined in Paragraph 7, and

(c) the amount of the remaining portion of the available energy which is agreed by the entities to be usable and which shall not exceed in any event 40% of that remainder.

4. An initial determination of the estimated downstream power benefits in the United States of America from Canadian storage added to the United States base system will be made before any of the Canadian storage becomes operative. This determination will include estimates of the downstream power benefits for each year until the total of 15,500,000 acre-feet of Canadian storage becomes operative.

5. Commencing five years before the total of 15,500,000 acre-feet of storage is expected to become operative, estimates of downstream power benefits will be calculated annually for the sixth succeeding year on the basis of the assured plan of operation for that year.

6. The critical stream flow period and the details of the assured plan of operation will be agreed upon by the entities at each determination. Unless otherwise agreed upon by the entities, the determination of the downstream power benefits shall be based upon stream flows for the twenty year period beginning with July 1928 as contained in the report entitled Modified Flows at Selected Power Sites - Columbia River Basin, dated June 1957. No retroactive adjustment in downstream power benefits will be made at any time during the period of the Treaty. No reduction

ANNEX B - TABLE - BASE SYSTEM

Project	Stream	Stream Mile Above Mouth	Usable Storage Acre-feet	Normal Elevation Pool Feet	Normal Elevation Tailwater Feet	Gross Head Feet	Initial Installation No. of Units	Initial Installation Plant Kilowatts (Nameplate)	Ultimate Installation No. of Units	Ultimate Installation Plant Kilowatts (Nameplate)
Hungry Horse	S. Fk. Flathead	5	3,161,000(4)	3560	3083	477	4	285,000	4	285,000
Kerr	Flathead	73	1,219,000	2893	2706	487	3	168,000	3	168,000
Thompson Falls	Clark Fork	209	Pondage	2396	2336	60	6	30,000	8	65,000
Noxon Rapids	Clark Fork	170	Pondage	2331	2179	152	4	336,000	5	420,000
Cabinet Gorge	Clark Fork	150	Pondage	2175	2078	97	4	200,000	6	300,000
Albeni Falls	Pend Oreille	90	1,155,000	2062	2034	28	3	42,600	3	42,600
Box Canyon	Pend Oreille	34	Pondage	2031	1989	42	4	60,000	4	60,000
Grand Coulee	Columbia	597	5,232,000(4)	1290(3)(4)	947	343	18	1,944,000	34	3,672,000
Chief Joseph	Columbia	546	Pondage	946	775	271	16	1,024,000	27	1,728,000
Wells (1)	Columbia	516	Pondage	775	707	68	6	400,000	10	666,700
Rocky Reach	Columbia	474	Pondage	707	614	93	7	711,550	11	1,118,150
Rock Island	Columbia	453	Pondage	608(3)	570	38	10	212,100	10	212,100
Wanapum	Columbia	415	Pondage	570	486	84	10	831,250	16	1,330,000
Priest Rapids	Columbia	397	Pondage	486	406	80	10	788,500	16	1,261,600
Brownlee	Snake	285	974,000	2077	1805	272	4	360,400	6	540,600
Oxbow	Snake	273	Pondage	1805	1683	222	4	190,000	5	237,500
Ice Harbor	Snake	10	Pondage	440	343	97	3	270,000	6	540,000
McNary	Columbia	292	Pondage	340	265	75	14	980,000	20	1,400,000
John Day	Columbia	216	Pondage	265	161	304	8	1,080,000	20	2,700,000
The Dalles	Columbia	192	Pondage	160	74	86	16(2)	1,119,000	24(2)	1,743,000
Bonneville	Columbia	145	Pondage	74	15	59	10	518,400	16	890,400
Kootenay Lake	Kootenay	16	673,000	1745	-	-	-	-	-	-
Chelan	Chelan	0	676,000	1100	707	393	2	48,000	4	96,000
Coeur d'Alene L.	Coeur d'Alene	102	223,000	2128	-	-	-	-	-	-
TOTAL 24 PROJECTS			13,313,000(4)			3,328	166	11,598,800	258	19,476,650

(1) The Wells project is not presently under construction; when this project or any other project on the main stem of the Columbia River is completed, they will be in integral components of the base system.

(2) Includes two 13,500 kilowatt units for fish attraction water.

(3) With flashboards.

(4) In determining the base system capabilities with and without Canadian storage the Hungry Horse reservoir storage will be limited to 3,008,000 acre-feet (normal full pool elevation of 3560 feet) and the Grand Coulee project will not include the effect of adding flashboards, limiting the storage to 5,072,000 acre-feet (normal full pool elevation of 1288 feet). The total usable storage of the base system as so adjusted will be 13,000,000 acre feet.

# Protocol

## ANNEX TO EXCHANGE OF NOTES

*Dated January 22, 1964 Between the Governments of Canada  
And The United States Regarding the Columbia River Treaty*

I. If the United States entity should call upon Canada to operate storage in the Columbia River Basin to meet flood control needs of the United States of America pursuant to Article IV(2)(b) or Article IV(3) of the Treaty, such call shall be made only to the extent necessary to meet forecast flood control needs in the territory of the United States of America that cannot adequately be met by flood control facilities in the United States of America in accordance with the following conditions:

(1) Unless otherwise agreed by the Permanent Engineering Board, the need to use Canadian flood control facilities under Article IV(2)(b) of the Treaty shall be considered to have arisen only in the case of potential floods which could result in a peak discharge in excess of 600,000 cubic feet per second at The Dalles, Oregon, assuming the use of all related storage in the United States of America existing and under construction in January 1961, storage provided by any dam constructed pursuant to Article XII of the Treaty and the Canadian storage described in Article IV(2)(a) of the Treaty.

(2) The United States entity will call upon Canada to operate storage under Article IV(3) of the Treaty only to control potential floods in the United States of America that could not be adequately controlled by all the related storage facilities in the United States of America existing at the expiration of 60 years from the ratification date but in no event shall Canada be required to provide any greater degree of flood control under Article IV(3) of the Treaty than that provided for under Article IV(2) of the Treaty.

(3) A call shall be made only if the Canadian entity has been consulted whether the need for flood control is, or is likely to be, such that it cannot be met by the use of flood control facilities in the United States of America in accordance with subparagraphs (1) or (2) of this paragraph. Within ten days of receipt of a call, the Canadian entity will communicate its acceptance, or its rejection or proposals for modification of the call, together with supporting considerations. When the communication indicates rejection or modification of the call the United States entity will review the situation in the light of the communication and subsequent developments and will then withdraw or modify the call if practicable. In the absence of agreement on the call or its terms the United States entity will submit the matter to the Permanent Engineering Board provided for under Article XV of the Treaty for assistance as contemplated in Article XV(2)(c) of the Treaty. The entities will be guided by any instructions issued by the Permanent Engineering Board. If the Permanent Engineering Board does not issue instructions within ten days of receipt of a submission the United States entity may renew the call for any part or all of the storage covered in the original call and the Canadian entity shall forthwith honor the request.

II. In preparing the flood control operating plans in accordance with paragraph 5 of Annex A of the Treaty, and in making calls to operate for flood control pursuant to Articles IV(2)(b) and IV(3) of the Treaty, every effort will be made to minimize flood damage both in Canada and the United States of America.

(3) Optimum power generation at-site in Canada and downstream in Canada and the United States of America referred to in paragraph 7 of Annex A of the Treaty will include power generation at-site and downstream in Canada of the Canadian storages referred to in Article II(2) of the Treaty, power generation in Canada which is coordinated therewith, downstream power benefits from the Canadian storage which are produced in the United States of America and measured under the terms of Annex B of the Treaty, power generation in the Pacific Northwest Area of the United States of America and power generation coordinated therewith.

VIII. The determination of downstream power benefits pursuant to Annex B of the Treaty, in respect of each year until the expiration of thirty years from the commencement of full operation in accordance with Article IV of the Treaty of that portion of the Canadian storage described in Article II of the Treaty which is last placed in full operation, and thereafter until otherwise agreed upon by the entities, shall be based upon stream flows for the thirty-year period beginning July 1928 as contained in the report entitled "Extension of Modified Flows Through 1958 - Columbia River Basin" and dated June 1960, as amended and supplemented to June 29, 1961, by the Water Management Subcommittee of the Columbia Basin Inter-Agency Committee.

~~IX. (1) Each load used in making the determinations required by Steps II and III of paragraph 7 of Annex B of the Treaty shall have the same shape as the load of the Pacific Northwest area as that area is defined in that paragraph.~~

(2) The capacity credit of Canadian storage shall not exceed the difference between the firm load carrying capabilities of the projects and installations included in Step II of paragraph 7 of Annex B of the Treaty and the projects and installations included in Step III of paragraph 7 of Annex B of the Treaty.

X. In making all determinations required by Annex B of the Treaty the loads used shall include the power required for pumping water for consumptive use into the Banks Equalizing Reservoir of the Columbia Basin Federal Reclamation Project but mention of this particular load is not intended in any way to exclude from those loads any use of power that would normally be part of such loads.

XI. In the event operation of any of the Canadian storages is commenced at a time which would result in the United States of America receiving flood protection for periods longer than those on which the amounts of flood control payments to Canada set forth in Article VI(1) of the Treaty are based, the United States of America and Canada shall consult as to the adjustments, if any, in the flood control payments that may be equitable in the light of all relevant factors. Any adjustment would be calculated over the longer period or periods on the same basis and in the same manner as the calculation of the amounts set forth in Article VI(1) of the Treaty. The consultations shall begin promptly upon the determination of definite dates for the commencement of operation of the Canadian storages.

XII. Canada and the United States of America are in agreement that the Treaty does not establish any general principle or precedent applicable to waters other than those of the Columbia River Basin and does not detract from the application of the Boundary Waters Treaty, 1909, to other waters.

PETER A. DeFAZIO

4TH DISTRICT, OREGON

RESOURCES COMMITTEE

SUBCOMMITTEE:  
WATER AND POWER RESOURCES

TRANSPORTATION AND  
INFRASTRUCTURE

SUBCOMMITTEES:  
AVIATION  
SURFACE TRANSPORTATION



# Congress of the United States

## House of Representatives

July 13, 2000

PLEASE RESPOND TO:

- ☐ 2134 RAYBURN HOUSE OF. BLDG.  
WASHINGTON, DC 20515-3704  
(202) 225-6416
- ☐ 151 WEST 7TH AVE. #400  
EUGENE, OR 97401-2649  
(541) 465-6732  
1-800-944-9603
- ☐ 125 W. CENTRAL AVE.  
SUITE 350  
COOS BAY, OR 97420  
(541) 269-2609
- ☐ P.O. Box 2460  
ROSEBURG, OR 97470-0511  
(541) 440-3523
- ☐ Peter.DeFazio@mail.house.gov

Judi Johansen  
Administrator  
Bonneville Power Administration  
905 N.E. 11<sup>th</sup> Avenue  
P.O. Box 3621  
Portland, OR 97208

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0316
RECEIPT DATE: 7.17.00
DUE DATE: 7.31.00

Dear Administrator Johanson:

Enclosed, for your review, is information provided by my constituent regarding "water spreading." As this relates to Columbia River water use, I have forwarded this for your consideration. Please respond directly to my constituent regarding this matter.

Thank you, in advance, for your attention to this matter.

Sincerely,

PETER DeFAZIO  
Member of Congress

ASSIGN: KR-7C  
cc: A3, K, KN, P, PG, PGF

PAD/afj  
Enclosure

Cc: Army Corps of Engineers  
Bureau of Reclamation

1C2998

RECEIVED

JUN 23 2000

Peter DeFazio, M.C.  
Washington, D.C.

2005

Rep. "Doc" Hastings

Dear Sir,

I am particularly concerned about three current matters:

- 1./ The \$45 Billion purchase of land by the Federal Government.
- 2./ Proposal to provide prescription drugs to seniors, and,
- 3./ The revival of the "water spreading" issue.

~~Regarding the land purchase, the "feds" already own more than half of the land in 11 Western States and even more in Alaska and Hawaii. East of the Mississippi it is usually only 2%-3%, always less than 5%. Most bureaucrats want to own or control all of the land, no one should "make a profit" They believe that socialism/communism is the ideal system and that it's too bad those Russian clods buggered it up! In order to kill this one why don't you propose an amendment to require them to sell in the West and buy in the East (dollar for dollar), and save the \$45 Billion?~~

Regarding prescription drugs for seniors, ( I am 78 ), this would involve staggering costs. Seniors would have pile of pill vials in front of them that they could not see over! The only 'good' part of it is that the side effects would kill them thus saving further costs. We hear much about drugs being cheaper in Canada ( which is true ), they usually say this is because Canadians do not pay thier share of R&D. The real reason is that prescription drugs are not publicly advertised in Canada. Here every few minutes on TV or in papers we are urged to "get your Doctor to give you "Drugex""- which he is glad to do! An other factor is Drug Companies' habit pushing a drug until thier patent expires, then dropping it and pushing a new (patented) product that is supposed to be better but probably is not, (and may be worse).

Regarding "water spreading"- working with Washington State Farm Bureau, I had a big part in heading it off when it came up before. I have a huge file on the matter as a result of my research. Here are a FEW points:

1./ There is lots of water in the Columbia River. Only 6% is diverted in the whole system including all of it's tributaries in Canada and The United States. Only about 1% is diverted at Grand Coulee.

2./ The "diverted" water returns to the river. The evaporate

is carried East and is precipitated on the Mountains and comes down the creek again and the water shipped out in produce is offset by imports. Nobody runs it in thier pocket or fires it into outer space!

3./ We are already in violation of the Columbia River Treaty Because they built 20.5 million acre feet of storage they OWN one half of the additional power made available at US dams in US. On September 16 1964 we paid \$245,929,534.25 for 30 years worth of this power at 2.7 mills /kwh. That is now up and we are stalling on a new deal.

4./ Every dam on the mainstem of the Columbia passes more water than the one above it.

I have documents to support the above re water spreading including a copy of the Treaty and a later deal repudiated by Bonnyville as well Farm Bureau papers and river flow charts for 100 years etc.. I enclose one bit of what I produced earlier.

( Yours truly,

P.S. I am horrified by the fact that we have one bunch of bureaucrats hatching salmon and another bunch killing them when they return ,although they are the same as they are hatched from "wild" eggs!

## WATER SREADING-THE REAL STORY

Headlines in the media regarding "water sreading" usually make it sound as though farmers are cheating and sucking the river dry. Actually in most cases and in total the farmers are the ones who are being cheated.

The Bureau of Reclamation lists several cases which they are complaining about:

1. Irrigating #6 soil.
2. Irrigating areas outside Bureau boundaries.
3. Irrigating more acres than covered by contract.
4. Irrigating without a State permit.
5. Irrigating non-agricultural land: parks, golf courses, cemetarys etc. and using irrigation water for other purposes.
6. They claim the Bureau has been cheated out of some \$ 50 million, which they intend to collect!

The bit about irrigating #6 soil is illustrated in figure 1. Area "b" is #6-rocks, rough terrain or shallow soil profile. If you have a center pivot (or most any system) you can't avoid wetting "b" without missing "c" and "d". You can't offset "e" against "b" either because the Bureau forbids irrigating #6 soil even if you have cleared the rocks or levelled it because (they will not add new acres): nor will they cancel "e" (loss of revenue). In any case the water delivered is measured and an "overcharge" is levied if your allotment is exceeded.

"Outside Boundaries" sounds ominous! Figure 2 illustrates one case. The heavy line represents the contour from the turnout. (The system was designed for gravity irrigation only) A pivot or other mechanical system now irrigates "c" in addition to "a" (Illegal screams the Bureau) However the farmer misses "b" which he is paying for. "b" may or may not exceed "c". As in the case above the Bureau will not allow it to be set straight even if the farmer tried. Again an over charge is levied if allotment is exceeded, which usually does not occur. A second case involves land not designated as "farm units" After construction of the "Second Bacon Tunnel" 10,000 acres were added in the form of "interruptable contracts between the local district and the farmer with the approval of the Bureau (each contract). The bureau now says these are illegal. The farmer pays more for these acres than the standard farm unit contract.

Figure 3 shows a full circle on a 1/4 section. Here the farmer pays for the full 160 acres but he only irrigates 130 or if his pivot has a "tail" (corner catcher) he gets 145 acres. This is the commonest case by far and in every case it is the farmer, not the Bureau, that is being shafted!

"More acres than contracted" There probably are a few cases of this which are more than offset by the other cases above and he has to do it with his allotment of water or pay "overwater charges! The farmers in the Columbia Basin are, in total, irrigating fewer acres (because of missed corners) and using less than their allotment of water. We use less than half of the water allotted for one million plus acres under the Columbia River Treaty with Canada. This water is free. How does the Bureau come up with a \$50 million loss??? Payments are made to local Districts not to the Bureau!



## WATER SPREADING - A WORRISOME NON-ISSUE

Northwest farmers already beset by machine repair costs, unfair county taxes, rising power costs due to the re-negotiation of the Columbia River Treaty with Canada are now faced with an attack on their water supply; not to mention proposed health care costs for employees and their families. We have seen the "war on the west" decimate the mining industry and cripple the lumber industry, now it's the turn of farmers and ranchers. This situation is fueled by three factors:

- (a) The envy/hatred of the west by the "rust belt";
- (b) Some environmental extremists who think that they yearn for some sort of "simple life", but who continue to enjoy (and demand) all the benefits of a modern industrial society, and;
- (c) A host of urban folk who believe that we can have a "service economy" without any nasty, greedy, polluting industries. (That's where we all live by shining each other's shoes.) These people believe that the "boss" or the "government" could supply all their needs and their big expectations if they were not so mean.

We have plenty of lawyers who will do a lot of shadow boxing on our behalf for a fee, but listening to them I feel they do not believe in the farmers' cause themselves and will take our money and "throw the case." Here are some real legal points that the lawyers (and others) don't know about, or worse, reject out of hand:

1. Who owns the projects built by the Bureau of Reclamation? In the case of the Columbia Basin Project, the costs were originally allocated to:
  - (a) Power - \$1 billion
  - (b) Farmers - \$2.9 billion
  - (c) Navigation and Flood Control - \$53 million
  - (d) Fish and Wildlife - \$26 million
  - (e) History and Archeology - \$4 million

Only a portion of this money has been spent. The power portion has been repaid (and then some). The farmers are still paying. The rest were "remitted." It seems to me that the farmers' deal with the Bureau amounts to an agreement for sale. Common law has always held that property belongs to the party that pays for it. Lawyers call this "equity." Why then, does the Bureau, having sold their project, continue to act as though they own it? Why does Fish and Wildlife, who own less than 1% (which they did not pay) call the shots.

2. This is a Constitutional issue. Article IV, sec. 2, sub-sec 1 of the U.S. Constitution reads: "The citizens of each State shall be entitled to all the privileges and immunities of the citizens in the several States." Article IV, sec. 3, sub-sec. 2 reads: "The Congress shall have the power to dispose of and make all needful rules and regulations respecting the territory of the United States and nothing in this Constitution shall be so construed as to prejudice any claims of the United States, or of a particular State." Now the preamble of the Bureau of Reclamation Act (1907) states that the purpose is to develop the west - very laudable with plenty of international precedent. However, the Bureau has run out of projects and now proposes to be a regulatory and revenue agency of the Federal Government.

Now, surely it's time for Article IV, sec. 2, sub-sec. 1 of the Constitution to kick in! The bureau of Reclamation must either be disbanded or its benefits and tyrannies must be extended to the other 33 states. If it or the BLM are in charge of western rivers, public lands, etc., they must also assume the same powers in the east. If it is to restore Pacific salmon runs they must also restore Atlantic salmon runs!

3. The third important matter bearing on "water spreading" is the Columbia River Treaty with Canada. The river was a "flash stream", frequently flooding from Wenatchee to Portland and running low much of the rest of the time. We paid Canada (actually B.C.) \$60 million to alleviate flooding (for 60 years). We also paid in advance, in cash, for 30 years worth of power and to agree not to divert the Columbia into the Fraser during the life of the treaty. The power aspect expires on the 30th anniversary of the construction and filling of the three dams. These dates are 1996, 1998 and 2003. We also agreed that they were entitled to one half of the additional power made available in the U.S. whether we generated it or not! Excluded from this "Canadian Entitlement" was as much water as either country wanted for domestic, industrial, mining or irrigation (specifically including 1 million acres in the Columbia Basin, only half of which we have utilized to date), but not for power generation. Nothing for fish or environmentalists. The last 30 years was for 2.7 mille/kwh. Each of 41 utilities in the Northwest are committed to buy or supply in kind to B.C. Hydro this "Canadian Entitlement." Canada has evened out the flow by providing 20.5 million acre/feet of storage. Since we did not put a fish ladder at Grand Coulee, we will not impress them with talk about salmon! If we spill water for salmon or take it away from farmers, we have to pay B.C. Hydro for half the power it could have generated. If we break the treaty, they are free to proceed with diversion of the Columbia. Lawyers call this an International Obligation.
4. The next question deals with the validity of the regulations of the Bureau of Reclamation. Most laws passed by the Congress or state

legislatures authorize the bureaucracy to develop rules to implement the statute. Many of our public "servants" have gone mad with power on this one! The Supreme Court of Washington State has ruled (#59086-9, Retowski et al vs. State of Washington, (DOE) in the Sinking Creek Case) that "...an administrative agency cannot modify or amend a statute through it's own regulation." Lawyers call this action "Ultra Vires". (We are supposed to be impressed by the Latin.)

5. The last item is common sense. (Lawyers do not have a special term for this.) We only divert 2% of the river flow at Grand Coulee and ONLY 6% in the entire basin in both counties (including tributaries such as the Snake, Yakima, etc., according to p 47 of a pamphlet "The Columbia River System: The Inside Story", published 1991 by U.S. Department of Energy, Bonneville Power Administration, Corps of Engineers and Department of Interior. Nearly all of this water returns to the river. Press reports indicate irrigators are sucking the river dry! NOT SO! Average annual discharge in thousands of cubic feet per second: Grand Coulee - 107.7, Chief Joseph - 108.0, McNary - 169.8, John Day - 172.1, the Dalles - 177.0, Bonneville - 183.3 (ref. "Columbia River System", p 15-16) Is 2% or 6% (which returns to the river) going to help the salmon? Will it help the Atlantic salmon? If salmon are endangered, how come I can go in any supermarket and buy all the canned salmon I want? If dams built in the 30's, 40's and 50's are the problem, why has it taken 40-60 years to have effect? Why are seals, who gulp salmon in our river estuaries, protected? What about fishing at sea? Are Indian Rights more sacred than those of farmers? Finally, why are salmon in different streams regarded as separate "races"? Is that not bigotry? Why can't they all be American salmon? I guess it's OK to eliminate eastern salmon (just like the Eastern Indians).

AS A FINAL SUGGESTION. THE WHOLE DEPARTMENT OF THE INTERIOR SHOULD BE REVIEWED FOR COMPLIANCE WITH THE U.S. CONSTITUTION.

cc: Western Governors  
WA State Farm Bureau  
Media  
Local Legislators  
Local Irrigation Districts  
James Catron  
Bruce Babbitt  
President Clinton

## COLUMBIA RIVER TREATY

The Columbia River treaty with Canada was to run for thirty years from the filling each three storage facilities. The respective dates are 1996, 1998 and 2003. It has been agreed that the present treaty be extended to 2003. Certain aspects concerning flood control are to run for sixty years. The power aspect must soon be renegotiated and little concern seems apparent about this vital matter. Under the terms Canada agreed to build three dams at Mica Creek, Arrow Lakes and Duncan to provide 15.5 million acre feet of storage. This is several times the storage in U.S. Canada also agreed not to divert the Columbia during the duration of the treaty. This term is important because by threatening to divert the river, which they could do under the terms of the 1909 treaty, Canada ~~was able to dictate the terms of the Columbia River Treaty.~~ (Either Country could do as they please in their own borders) One term in this treaty provides that if the treaty is not re-newed we revert to the 1909 treaty!

United States Agreed that Canada was entitled to one half of the additional power made available in the United States, whether it was utilized or not. The "Ben Franklin" dam (North of Tri-cities, between Priest Rapids and McNary) was not built but the treaty requires that be included in the "Canadian Entitlement". Water used for domestic, industrial, urban or irrigation was not to be counted. Notice there is nothing for salmon (the word "salmon" or any other such does not appear anywhere in the 75 pages. The additional entitlement was calculated in advance and paid for in cash at the signing. This paid for the dams built by Canada. There is no Fish ladder at Grand Coulee which was built under 1909 treaty so any salmon on the Columbia or its tributaries above Grand Coulee are long gone. Salmon do go up the Okanogan into Canada. There was a provision for flood control. If a flood is expected on the lower Columbia Canada agreed to Draw-down in advance but U.S. agreed to pay for any power lost in either country. These payments and adjustments were calculated at 2.7 mills per KWH. Since neither Washington or British Columbia needed the power at that time it was sold by Bonneville Power Admin. to California. These sales have gradually ended but intertie remains. U.S. further agreed that B.C. hydro could reclaim this power when they needed it. The 15.5 million acre feet of storage in Canada has since been increased to 20.5 m ac/ft as per agreements in 1984 and 1990.

U.S. also agreed that if and when B.C. Hydro needed the "Canadian Entitlement" that we would deliver in kind to the Vancouver Metro. area; or alternatively at Oliver B.C. (Border and Okanogan River) provided that U.S. paid for a transmission facility to convey the power to Vancouver.

Since the Canadian Entitlement was bought and paid for at the time at about 1/4 ¢ per KWH it is not reflected in present N.W. power rates at present values. ( B.C. Hydro says the present value of the last 30 year allotment would be \$1.5 Billion which is six times what we paid).

If we renew the treaty we will be asked to pay at today's rates. What if we tell them "You got your dams free now go jump in your big lakes" ?

It will be noted that they preserved the right to divert the Columbia eventually. How practical is this ? How likely? The Kootenay River rises in Canada, flows past the head end of Columbia Lake ( source of the Columbia) then into Montana, over the Libby Dam, returns to Canada and eventually joins the Columbia. This flow is not great but Libby has a 300 ft. head. A level shipping canal was constructed between the Kootenay and the Columbia At Canal Flats B.C. in the 1800's. While it is now disused a few hours with a drag line would divert the Kootenay into the Columbia. This would greatly reduce power at Libby which would turn up at Mica, Revelstoke and Duncan. A dam at Revelstoke could divert the Columbia to the South Thompson, thence to the Fraser (mouth at Vancouver B.C.) The Revelstoke dam has been built. It would also be possible to divert from the North end of Mica's reservoir to the North Thompson or directly to the Fraser near Tête Jaune Cache B.C.. Article XIII(2) of the present Treaty provides for Canada to divert 1,500,000 acre feet at Canal Flats any time after 1984.

What will all this mean to N.W. power users? Higher rates in any case! If B.C. wants their "Entitlement" in kind we will have to find the power from new sources here. If we cannot make a deal with them, B.C. will undoubtedly proceed with diversion by stages beginning at Canal Flats. At present I have heard of no plans to meet this situation either in the short term (renewal) or in the long term (diversion).

Meanwhile we have some environmentalists who want to give all the water to the fish. Irrigators in the Columbia basin are being told that they may not have thier 'intruptable contracts' filled although we only divert 2% of the flow at Grand Coulee and only 6% in the entire basin including the Snake. It should be noted that nearly all of this water reappears in the streams as farmers do not run it into thier pockets or fire it into outer space!

But the Canadians are our friends will they be that tough? The then Premier W.A.C. Bennet was a conservative type but his shrewdness is apparent in the treaty.\* The present premier is a "New Democrat" (read socialist.) ~~Wate for capitalists in general and U.S. in particular is an~~ article of faith with them.

Is there a bright side to all this ? yes! B.C. like other governments has a fiscal problem. ( Governments everywhere have about committed all the money they can wring out of the taxpayers.) Because of this they are in no position to build the facilities needed to complete diversion and utilize the water potetial although they could in the short term recover thier "entitlement". They would also have to contend with thie homegrown environmentalists. ( Not to mention members of the Kennedy family who go up there and lecture them on logging in the Queen Charlotte area of B.C. anfd flooding of Indian lands by Hydro Quebec ) We can probably cut a deal with them but it will cost us!

Since substantial rate increases in both the short and long term appear inevitable what will the effect be on the N.W.? Commercial and domestic users as well as industrial users who do not use a lot of power in relation to thier other costs can no doubt pay rates as high as those in other parts of the nation. There are two power intensive industries who are unable to face massive rate increases: Alunimum producers and Irrigation Farmers. Viualize the economy of Washington State without these two which we got because of cheap power!

Our alunimum industry is already shutting down 'pot lines'. They face

competition from Alcan ( Alunimum Company of Canada) a former subsidiary of Alcoa ( Alunimum Company of America) For several decades this company has built plants adjacent to their own hydro plants at Kitmat B.C. and Arvida QUE. They have made enough money to buy out Alcoa's interest in thier company.

Irrigation farmers who are on in years and have thier land paid for are OK: but young ones carrying a mortgage will see thier margin wiped out by any substatial power cost increase. Average U.S. farmers are in thier 50's. Farmers in the Columbia Basin still grow a great deal of wheat.barley and corn:these would not pay under higher power rates. Down the road as more processing plants and markets are developed for more valuable crops higher power costs could be bourn. A Congressional committee report figures domestic users should not "subsidize" these high power consumers. At least in the shorter term favorable rates for irrigators an alunimum producers are a must..

It would seem that power people,irrigators,shippers and all power users in the Northwest should wake up and start thinking and planning about this matter.

Since treaties are,of course between National Governments,each of our Goverments have passed thier interests and resposibilities down to locals:

In the case of U.S.A.:

United States Entity

C/O Bonneville Power Administration

P.O.Box 3621

Portland Oregon 97208

In the Case of Canada:

British Columbia Hydro and Power Authority

970 Burrard Street

Vancouver B.C.

These adresses are as per treaty and may have changed.

page 5

\* Lyndon Johnson met with Premier Bennett and his entourage at the Peace Arch at Blain WA./ White Rock B.C. on September 16 1964 to finalize the treaty and hand over a check for \$ 245,929,534.25. Johnson apparently shocked by the terms said: " These Canadians are tough negotiators. They even went for the last twenty five cents".

This summary is based on the actual treaty and other reliable material.

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## Department of Energy

Official File Copy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

SEP 20 2000

In reply refer to: KR-7C

The Honorable David Wu  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Wu:

~~This is in response to your letter regarding the concerns of your constituent and the use of the Bonneville Power Administration (BPA) easement across his property to install BPA-owned fiber-optic communication lines.~~

As [redacted] has indicated to you, BPA's easement across his property includes the rights to install a transmission line and appurtenant signal lines. The intent of the "appurtenant signal line" language in this easement was to recognize the need of communications systems in the operation of a transmission line. Technical terminology and technology has changed dramatically in the 60-plus years that BPA has been in the transmission business. However, the intent of the language has remained the same.

Fiber-optic cable provides the communications technology BPA needs for reliability and control of the system. BPA's analog microwave systems are growing obsolete, and we are finding that manufacturers are not continuing to support that equipment. BPA needs to have stable and continuous communications systems in place in order to satisfy its statutory mandate.

This is not an "entry into the communications market," as [redacted] describes it, but rather a planned and cost-effective approach to building for current and long-term operational needs. It is not economically feasible to build a fiber network based just on today's needs, returning to rebuild to higher capacity every few years. The fiber cable BPA plans to install at this location is a 36-fiber cable, which is the minimum size we have anywhere in our system.

As we have described in our recent report to Congress ("Power Marketing Administrations' Fiber-Optics Executive Summary Report to Congress," May 24, 2000), some fibers which are temporarily excess to our needs are leased to third parties. Not only does this help to defray our costs of conversion from a microwave based control and operation system to a fiber based control and operation system, but it also allows for industry use of a temporarily available federal resource. And it provides the ability for BPA to expand its fiber use over time in a planned and cost-effective manner.

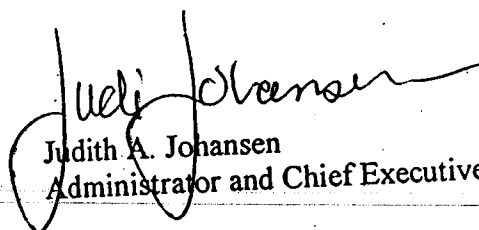
BPA attorneys have examined the language and applicability of BPA's easement rights and advise us that temporarily leasing some of those fibers to others is consistent with—and not exceeding—our rights under those easements. Their research shows that the courts support such uses. In its report on Fiscal Year 2001 Energy and Water Appropriations Bill, H.R. 4733, the Senate Appropriations Committee said, "The Committee is aware of and supports BPA's efforts to replace outdated microwave communications systems with fiber optics. Given the potential benefits, BPA is urged to continue efforts related to open-access policy."

may access additional information on BPA's fiber optics, including our recent report to Congress, at our web site:

[www.transmission.bpa.gov/orgs/t/t/t/f/fiberoptic/](http://www.transmission.bpa.gov/orgs/t/t/t/f/fiberoptic/)

I hope this information is helpful to you in addressing the concerns of If you have  
further questions, please feel free to contact me or have your staff contact Bob Lahmann,  
Transmission Business Line account executive, at (360) 418-2092.

Sincerely,



Judith A. Johansen  
Administrator and Chief Executive Officer

DAVID WU  
1ST DISTRICT, OREGON

510 CANNON BUILDING  
WASHINGTON, DC 20515-3702  
TELEPHONE: (202) 225-0855

620 SW MAIN STREET  
SUITE 606  
PORTLAND, OR 97205  
TELEPHONE: (503) 326-2901  
(800) 422-4003

<http://www.house.gov/wu>

[david.wu@mail.house.gov](mailto:david.wu@mail.house.gov)



**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-3701**

COMMITTEES:  
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PRESIDENT'S EXPORT COUNCIL

August 28, 2000

Ms. Judith Johansen  
Director  
Bonneville Power Administration  
905 NE 11<sup>th</sup> Avenue  
Portland, OR 97232

Dear Ms. Johansen:

I am writing on behalf of \_\_\_\_\_ my constituent, who has contacted me to express his concerns about the Bonneville Power Administration (BPA) taking unfair advantage of their position as a power provider to demand right-of-way access for communications lines that compete with private sector companies.

Enclosed is a copy of \_\_\_\_\_ letter and enclosures, outlining his areas of contention. He feels that BPA's right-of-ways for the transmission of power should not be used to lay any kind of communications networks that might compete with private industry.

I would appreciate it if you would address the issues he has raised. Should have additional questions regarding my inquiry, please contact Ann Richardson in my Portland District office for more information. (503-326-2901)

Thank you in advance for your attention to this matter.

With warm regards,

David Wu  
Member of Congress

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0392
RECEIPT DATE: 8-31-00
DUE DATE: 9-14-00

DW:arr  
Enclosed

Assign: KR-7-C  
cc: TM

July 26, 2000

Rep. David Wu  
510 Cannon House Office Building  
Washington, DC 20515

Dear Rep. Wu,

I am attaching a copy of a letter that I am sending to the Eugene, OR office of the Bonneville Power Administration objecting to the installation of a fiber communications system on my property that is clearly being overbuilt for the purpose of providing commercial communications services. BPA has an easement through my property for the purpose of operating a transmission system only. I am concerned about their abuse of the easement to enter into the communications arena either through leasing of fiber or outright sale of attachment rights to third parties. I have attached for your information a copy of the easement, which allows for the transmission line and "appurtenant signal lines".

BPA doesn't seem to be accountable to anyone, and they seem to feel that they have congressional approval to take these additional rights from the property owners, rights they have not previously negotiated for in the easement. I understand that congress has tacitly approved BPA overbuilding the fiber system by an order of magnitude over what is necessary to operate the system. What I don't understand is how congress can condone the abuse of the easement rights and not making a clear distinction that this is a separate easement right that BPA must address.

As a separate matter, I think that it is terrible public policy to have a tax-free, transmission user subsidized, government entity competing with the private sector. It is only made worse by the abuse of rights of way that are acquired with the express purpose of proving electrical transmission only. Property owners had no real choice but to knuckle under to allow the line in the first place, but at least BPA didn't just take the rights for free like they are trying to do now.

I would like to know what your office could do to help me protect my property rights. I don't think that I have the means nor the will to try to fight the federal government, but I don't feel like I should have to. I would like your support to make BPA acknowledge that their entry into the communications market requires them obtain easements consistent with that business.

Sincerely,

July 26, 2000

Mr. Donald D. Gerig  
Bonneville Power Administration  
86000 Hwy 99 South  
Eugene, OR 97405

Subject: Carlton-Trask Line No. 1 Easement  
Tract No: CA-T-20; CA-T-AR-5-2

Thank you for your prompt letter of July 7, 2000 clarifying BPA's position on the use of their easement to install a fiber optic communication system on the Carlton-Trask transmission line. As a point of clarification, my basic question was not narrowly related to your authority to lease excess fiber optic capacity to third parties as you addressed in your letter. My concern is with your asserted rights, as conveyed in our easement agreement, to install any sort of facilities on my property not directly related to the operation of the Carlton-Trask No. 1 transmission line.

Your references to the Transmission Systems Act and the Bonneville Project Act were interesting, but were not applicable to my situation. Whether or not BPA has the perceived authority from congress and others to establish a commercial fiber optic system is a different question; I am concerned only with the rights conveyed to you in our easement agreement and what you can do on my property.

My opinion is that the easement agreement is dealing solely with rights associated with the Carlton-Trask No. 1 transmission line and its "appurtenant signal line". I noted that you substituted the word "communications" in your letter for the word "signal" that is in the easement. I think that for total communications rights to be conveyed to BPA, the words "appurtenant telegraph/telephone lines" would have been included in the easement. BPA's activities are limited to those expressly conveyed, and the omission of those rights makes it clear that "communications" rights beyond those signals directly related to the operation/protection of the Carlton-Trask No. 1 line were not conveyed.

A review of public documents makes it intuitively obvious to the most casual observer that BPA is launching into a commercial fiber optic business line as well as planning to provide public benefit fiber for underserved rural communities. Both activities, as cost effective and noble as they may be, are unrelated to and unnecessary for the operation of an electrical transmission system. I have been able to find several stated goals/plans for the BPA system that are unrelated to the operation of the transmission line and thus are not currently a right that you have on my property:

1. Installing public purpose fiber for communications to underserved rural communities.
2. Third party ownership of fiber optic systems on your structures to be used for communications purposes unrelated to transmission system operation.

3. Installing nearly an order of magnitude more fiber capacity than needed for operation of the system, for the purpose of leasing to others for uses unrelated to the operation of the transmission line. (Most systems truly built only to operate/control transmission lines will use multiplexing and need only several fibers to provide redundant systems. Even with several spares and for future growth needs, there is no way BPA can justify 72 or 144 fibers, even in the next 25 years).
4. Installation of excess fiber for internal use by BPA for purposes other than operation of the transmission line, such as marketing and sales, administrative communications.
5. Installing excess capacity so that BPA can reserve capacity for public entities, other federal agencies, and customers.

The right to conduct the above activities has not been conveyed to BPA by our easement agreement. Prior to the installation and operation of any type of equipment on my property to conduct these or any other activities not directly related to the operation of the Trask-Carlton No.1 line, I expect you to obtain from me the right to conduct those activities on my property.

Sincerely,

C. Sen. Ron Wyden  
Sen. Gordon Smith  
Rep. David Wu  
Rep. Earl Blumenauer

(4)

You should soon be receiving a letter that explains BPA's proposal to install fiber optic cable to some of the existing transmission lines between the Keeler Substation in Hillsboro, Oregon, and the Tillamook Substation located in Tillamook, Oregon. If you have any additional questions, please contact me at 541-465-6560.

Sincerely,

6

BPA 421 C  
Rev. 3-12-83  
W/DTS

VOL 93 PAGE 1040

Tract No. CA-T-20; CA-T-AR-5-2

# TRANSMISSION LINE AND ACCESS ROAD EASEMENT

The GRANTOR herein so styled whether one or more, SAMUEL PADGETT SCOTT and IRENE E. SCOTT,  
also known as Sam P. Scott,  
husband and wife,

for and in consideration of the sum of --TWO THOUSAND SEVEN HUNDRED--

Dollars (\$ 2,700.00).

has been paid by the UNITED STATES OF AMERICA, receipt of which is hereby acknowledged, hereby grants, bargains,  
sells, and conveys to the UNITED STATES OF AMERICA and its assigns, a perpetual easement and right to enter  
and erect, maintain, repair, rebuild, operate, and patrol one line of electric power transmission struc-

ture and appurtenant right lines, including the right to erect such poles, transmission structures, wires, cables,  
and appurtenances as are necessary thereon, in, over, upon, and across the following-described parcel of land in the

County of Yamhill, in the State of Oregon, to-wit:

As described in Exhibit A attached hereto and by this reference made a part hereof.

It is agreed that any damage to Grantor's agricultural crops, fences, or irrigation  
or drainage systems on the right-of-way resulting from and in the course of con-  
struction, reconstruction, or maintenance of the transmission line or lines shall be  
repaired, replaced, or paid for by the United States of America or its contractor.  
Where payment is made, the amount of damages will be determined by an appraisal made  
by the United States of America.

Any use of the right-of-way by the Grantor, his heirs, successors, and assigns,  
other than the right to grow, cultivate, and harvest agricultural crops, shrubs,  
decorative plants, or to utilize as grazing lands, shall be by express permission of  
the United States of America. However, the United States of America shall have the  
right to grade, cultivate, plant, and maintain grass, shrubs, or other cover or  
ornamental plants upon the portion of the right-of-way not otherwise being utilized  
by Grantor.

For the purpose of preserving the natural appearance of the right-of-way, it is  
agreed by the Grantor and the United States of America that the right-of-way shall  
not be used for the accumulation or dumping of litter, trash, or other foreign  
material except for small limbs and slash as permitted under the standard clearing  
contracts of the United States of America. The United States of America agrees  
that any such accumulations resulting from its entry upon the right-of-way for con-  
struction or maintenance purposes will be removed or disposed of by the United States  
of America or its contractor.

Access Road No. CA-T-AR-5-2 may be used for access to and from Bonneville Power  
Administration's Carlton-Trank No. 1 transmission line and any existing or future  
transmission lines which have been or may be constructed adjacent or nearly adjacent  
thereto.

It is understood and agreed that the United States of America or its contractor will  
install a 5-wire gate in access road CA-T-AR-5-2 at survey stations 9+92 and 2+09,  
and within the transmission line right-of-way at survey station 415+50.2.

It is further understood and agreed that the United States of America or its contractor  
will, when clearing for erection of the angle structure at survey station 409+28.0, move  
the debris from the vicinity of the structure to the danger tree area southerly of the  
transmission line right-of-way.

We, the aforementioned Grantors, husband and wife, lessors under an unrecorded lease from  
the aforementioned Grantors, for a valuable consideration from the aforementioned Grantors,  
hereby acknowledged, join in this instrument for the sole and specific purpose of subordinating  
any and all interest we may have in said premises to the easement herein granted to the United  
States of America, and are not entering into or becoming parties in any degree or manner to  
the warranty contained herein.

7

TRANSMISSION TITLE INS. CO.



VOL 93 PAGE 1042

(Standard form of acknowledgment adopted for use with all conveyances in Washington and Oregon).

STATE OF Oreg )  
COUNTY OF Clatsop ) ss:

On the 15 day of Jan, 1973, personally came before me, a notary public in and for said County and State, the within-named husband and wife, to me personally known to be the identical persons described in and who executed the within and foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal the day and year last above written.

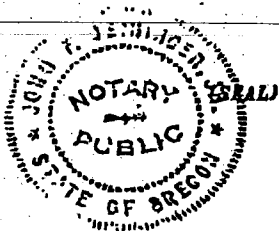
(SEAL)

Henry Maers  
Notary Public in and for the  
State of  
Residing at Blaine, Ore

My commission expires May 9, 1974STATE OF Oregon )  
COUNTY OF Grant ) ss:

On the 26 day of Feb, 1973, personally came before me, a notary public in and for said County and State, the within-named JOHN F. GRAY and MARIAN L. GRAY, husband and wife, to me personally known to be the identical persons described in and who executed the within and foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal the day and year last above written.



John F. Jennings  
Notary Public in and for the  
State of Ore  
Residing at Traskville, Oregon

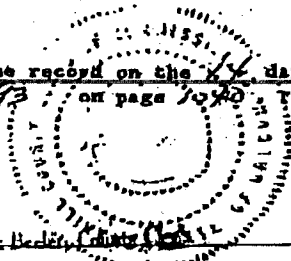
My commission expires: May 13, 1974

21057

STATE OF )  
COUNTY OF ) ss:

I CERTIFY that the within instrument was received for the record on the 15 day of April, 1973, at 3:11 P.M., and recorded in book 93 on page 1042 Records of said County.

Witness my hand and seal of County affixed.



By John F. Jennings  
Deputy.

After recording, please return to:

pmp 1-5-73

TITLE SECTION, BRANCH OF LAND  
BONNEVILLE POWER ADMINISTRATION  
P.O. BOX 3021  
PORTLAND, OREGON 97208

BPA 177  
Rev. 8-2-61

(9)

VOL 93 PAGE 1043

CA-T-20

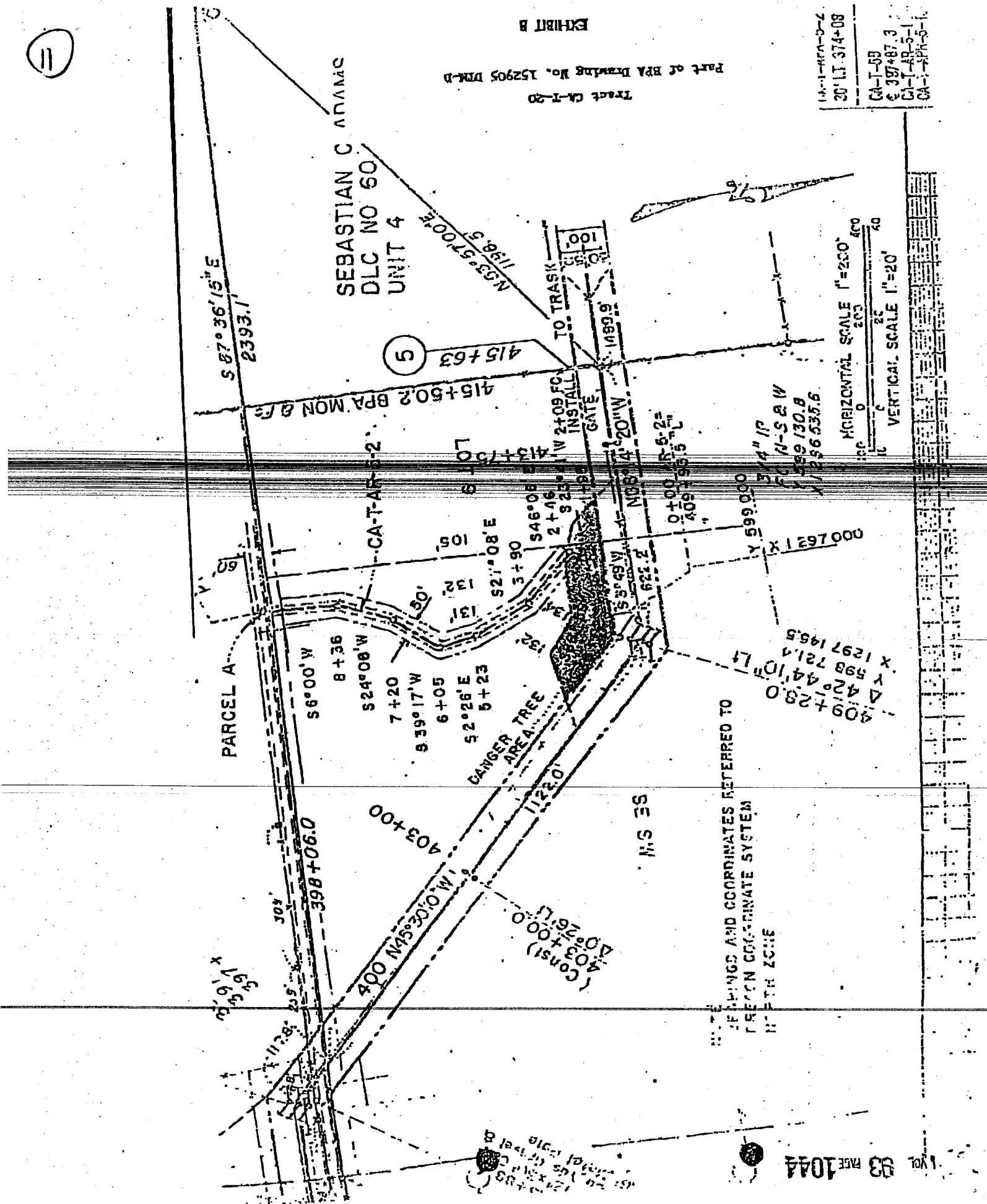
A right-of-way 100 feet wide over and across the following-described tract of land:

Lot 9 and that portion of the  $SE\frac{1}{4}S\frac{1}{4}$  of sec. 30, T. 3 S., R. 4 W., W.M., Yamhill County, Oregon, lying within the William K. Johnson Donation Land Claim, Patent No. 2431, described in Deed Recorded February 6, 1957, in Film No. 57, Page 978 of the Deed Records of said county.

The boundaries of the 100-foot right-of-way are located 50 feet on each side of and parallel with the survey line of the Bonneville Power Administration Carlton-Trask No. 1 transmission line. The survey line is described, with reference to the Oregon Coordinate System-North Zone, as follows:

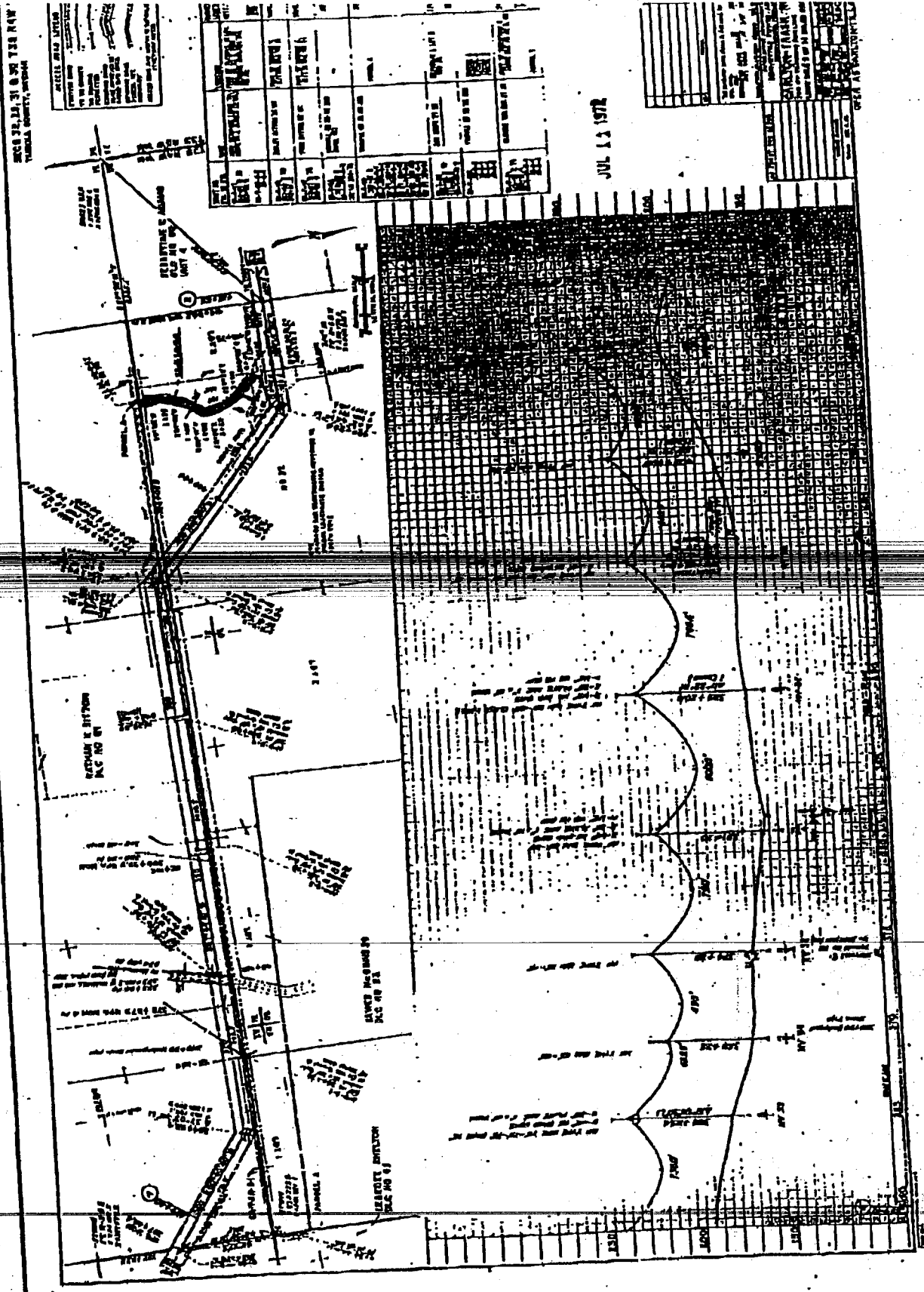
Beginning on the south line of section 30 at survey station 398+06.0 which is S.  $87^{\circ}36'15''$  E., 2393.1 feet from the southwest corner of section 30. This corner is evidenced by a brass cap. Thence N.  $45^{\circ}30'10''$  W., 1122.0 feet to station 409+28.0. Thence N.  $88^{\circ}14'20''$  W., 622.2 feet to a BPA monument on the west line of said lot 9 at station 415+50.2 which is N.  $53^{\circ}57'00''$  E., 1198.5 feet from said southwest corner of section 30.

CA-T-20



1 VOL 93 PAGE 1045

JUL 13 1972



NO.	DESCRIPTION	QTY	UNIT
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NOTES: 1. ... 2. ... 3. ... 4. ... 5. ... 6. ... 7. ... 8. ... 9. ... 10. ... 11. ... 12. ... 13. ... 14. ... 15. ... 16. ... 17. ... 18. ... 19. ... 20. ... 21. ... 22. ... 23. ... 24. ... 25. ... 26. ... 27. ... 28. ... 29. ... 30. ... 31. ... 32. ... 33. ... 34. ... 35. ... 36. ... 37. ... 38. ... 39. ... 40. ... 41. ... 42. ... 43. ... 44. ... 45. ... 46. ... 47. ... 48. ... 49. ... 50. ... 51. ... 52. ... 53. ... 54. ... 55. ... 56. ... 57. ... 58. ... 59. ... 60. ... 61. ... 62. ... 63. ... 64. ... 65. ... 66. ... 67. ... 68. ... 69. ... 70. ... 71. ... 72. ... 73. ... 74. ... 75. ... 76. ... 77. ... 78. ... 79. ... 80. ... 81. ... 82. ... 83. ... 84. ... 85. ... 86. ... 87. ... 88. ... 89. ... 90. ... 91. ... 92. ... 93. ... 94. ... 95. ... 96. ... 97. ... 98. ... 99. ... 100. ...

(21)



## Department of Energy

Official File Copy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

AUG 24 2000

In reply refer to: KR-7C

The Honorable Gordon Smith  
United States Senate  
Washington, DC 20510

Dear Senator Smith:

~~This is in response to your letter regarding the concerns of your constituent,~~  
and the use of the Bonneville Power Administration (BPA) easement across his property to  
install BPA-owned fiber optic communication lines.

As [redacted] has indicated to you, BPA's easement across his property includes the rights to install a transmission line and appurtenant signal lines. The intent of the "appurtenant signal line" language in this easement was to recognize the need of communications systems in the operation of a transmission line. Technical terminology and technology has changed dramatically in the 60-plus years that BPA has been in the transmission business. However, the intent of the language has remained the same.

Fiber-optic cable provides the communications technology BPA needs for reliability and control of the system. BPA's analog microwave systems are growing obsolete, and we are finding that manufacturers are not continuing to support that equipment. BPA needs to have stable and continuous communications systems in place in order to satisfy its statutory mandate.

This is not an "entry into the communications market," as [redacted] describes it, but rather a planned and cost-effective approach to building for current and long-term operational needs. It is not economically feasible to build a fiber network based just on today's needs, returning to rebuild to higher capacity every few years. The fiber cable BPA plans to install at this location is a 36-fiber cable, which is the minimum size we have anywhere in our system.

As we have described in our recent report to Congress ("Power Marketing Administrations' Fiber-Optics Executive Summary Report to Congress," May 24, 2000), some fibers which are temporarily excess to our needs are leased to third parties. Not only does this help to defray our costs of conversion from a microwave based control and operation system to a fiber based control and operation system, but it also allows for industry use of a temporarily available federal resource. And it provides the ability for BPA to expand its fiber use over time in a planned and cost-effective manner.



GORDON H. SMITH  
OREGON

COMMITTEES:  
BUDGET  
ENERGY AND NATURAL RESOURCES  
FOREIGN RELATIONS

# United States Senate

WASHINGTON, DC 20510-3704

August 2, 2000

Mrs. Judi Johansen, Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0353
RECEIPT DATE: 8.8.00
DUE DATE: 8.22.00

Dear Ms. Johansen:

Please find enclosed a copy of a letter I recently received from regarding concerns about Bonneville Power using the transmission right-of-way through his property to install fiber communications system. In an effort to provide my constituent with the information requested, I would be grateful for your thorough review of this situation and appreciate any comments you may have regarding this matter.

After you have completed your review, please send your findings and comments to my Portland office at One World Trade Center, 121 S.W. Salmon Street, Suite 1250, Portland, Oregon 97204.

Thank you in advance for your prompt attention to this matter.

Sincerely,



Gordon H. Smith  
United States Senator

GHS:mh  
Enclosure

ASSIGN: KR-7d  
cc: A3, K-7, KN/Wash, L-7, T/Dit2

July 26, 2000

Sen. Gordon Smith  
404 Russell Senate Office Building  
Washington, DC 20510

Dear Sen. Smith,

I am attaching a copy of a letter that I am sending to the Eugene, OR office of the Bonneville Power Administration objecting to the installation of a fiber communications system on my property that is clearly being overbuilt for the purpose of providing commercial communications services. BPA has an easement through my property for the purpose of operating a transmission system only. I am concerned about their abuse of the easement to enter into the communications arena either through leasing of fiber or outright sale of attachment rights to third parties. I have attached for your information a copy of the easement, which allows for the transmission line and "appurtenant signal lines".

---

BPA doesn't seem to be accountable to anyone, and they seem to feel that they have congressional approval to take these additional rights from the property owners, rights they have not previously negotiated for in the easement. I understand that congress has tacitly approved BPA overbuilding the fiber system by an order of magnitude over what is necessary to operate the system. What I don't understand is how congress can condone the abuse of the easement rights and not making a clear distinction that this is a separate right that BPA must address.

As a separate matter, I think that it is terrible public policy to have a tax-free, transmission user subsidized, government entity competing with the private sector. It is only made worse by the abuse of rights of way that are acquired with the express purpose of proving electrical transmission only. Property owners had no real choice but to knuckle under to allow the line in the first place, but at least BPA didn't just take the rights for free like they are trying to do now.

I would like to know what your office could do to help me protect my property rights. I don't think that I have the means nor the will to try to fight the federal government, but I don't feel like I should have to. I would like your support to make BPA acknowledge that their entry into the communications market requires them obtain easements consistent with that business.

Sincerely,



July 26, 2000

Mr. Donald D. Gerig  
Bonneville Power Administration  
86000 Hwy 99 South  
Eugene, OR 97405

Subject: Carlton-Trask Line No. 1 Easement  
Tract No: CA-T-20; CA-T-AR-5-2

Thank you for your prompt letter of July 7, 2000 clarifying BPA's position on the use of their easement to install a fiber optic communication system on the Carlton-Trask transmission line. As a point of clarification, my basic question was not narrowly related to your authority to lease excess fiber optic capacity to third parties as you addressed in your letter. My concern is with your asserted rights, as conveyed in our easement agreement, to install any sort of facilities on my property not directly related to the operation of the Carlton-Trask No. 1 transmission line.

Your references to the Transmission Systems Act and the Bonneville Project Act were interesting, but were not applicable to my situation. Whether or not BPA has the perceived authority from congress and others to establish a commercial fiber optic system is a different question; I am concerned only with the rights conveyed to you in our easement agreement and what you can do on my property.

My opinion is that the easement agreement is dealing solely with rights associated with the Carlton-Trask No. 1 transmission line and its "appurtenant signal line". I noted that you substituted the word "communications" in your letter for the word "signal" that is in the easement. I think that for total communications rights to be conveyed to BPA, the words "appurtenant telegraph/telephone lines" would have been included in the easement. BPA's activities are limited to those expressly conveyed, and the omission of those rights makes it clear that "communications" rights beyond those signals directly related to the operation/protection of the Carlton-Trask No. 1 line were not conveyed.

A review of public documents makes it intuitively obvious to the most casual observer that BPA is launching into a commercial fiber optic business line as well as planning to provide public benefit fiber for underserved rural communities. Both activities, as cost effective and noble as they may be, are unrelated to and unnecessary for the operation of an electrical transmission system. I have been able to find several stated goals/plans for the BPA system that are unrelated to the operation of the transmission line and thus are not currently a right that you have on my property:

1. Installing public purpose fiber for communications to underserved rural communities.
2. Third party ownership of fiber optic systems on your structures to be used for communications purposes unrelated to transmission system operation.

3. Installing nearly an order of magnitude more fiber capacity than needed for operation of the system, for the purpose of leasing to others for uses unrelated to the operation of the transmission line. (Most systems truly built only to operate/control transmission lines will use multiplexing and need only several fibers to provide redundant systems. Even with several spares and for future growth needs, there is no way BPA can justify 72 or 144 fibers, even in the next 25 years).
4. Installation of excess fiber for internal use by BPA for purposes other than operation of the transmission line, such as marketing and sales, administrative communications.
5. Installing excess capacity so that BPA can reserve capacity for public entities, other federal agencies, and customers.

The right to conduct the above activities has not been conveyed to BPA by our easement agreement. Prior to the installation and operation of any type of equipment on my property to conduct these or any other activities not directly related to the operation of the Trask-Carlton No.1 line, I expect you to obtain from me the right to conduct those activities on my property.

---

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Sincerely,

C. Sen. Ron Wyden  
Sen. Gordon Smith  
Rep. David Wu  
Rep. Earl Blumenauer



Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

SEP 18 2000

In reply refer to: KR-7C

The Honorable Gordon H. Smith  
United States Senate  
Washington, DC 20510-3704

Dear Senator Smith:

This is in response to your letter of August 25, 2000, asking for an update on developments with Pine Creek Ranch and the situation of her family. I appreciate your continued interest in the concerns of your constituents.

Unfortunately, I can't give you a lot of information. The issues raised by the are still in dispute, and the Uniform Relocation Act (Act) requires involved agencies to respect the privacy of persons covered by the Act. I can tell you that Bonneville Power Administration (BPA) has proposed a generous lump sum payment to the and that the opinion of our attorneys is that BPA has met or exceeded any responsibility to the we may have had. The offer was refused. We continue to seek a mutually agreeable solution and we have asked their attorney, Mr. W. Todd Westmoreland, for a written proposal.

As you know, the Warm Springs Tribe is the new owner of the Pine Creek Ranch. The Tribe has informed the that it has no immediate plans to displace them. The is free to remain in its rented residence. The Tribe appears to be meeting its obligations as the landlord.

I hope this responds to your inquiry. Should you have any additional concerns, please contact me or have your staff contact our attorney Ernest Estes.

Sincerely,

  
Judith A. Johansen  
Administrator and Chief Executive Officer

cc:  
Mr. William Buchanan  
Mr. W. Todd Westmoreland

# United States Senate

WASHINGTON, DC 20510-3704

August 25, 2000

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0384
RECEIPT DATE: 8-28-00
DUE DATE: 9-11-00

Mrs. Judi Johansen  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208

Dear Ms. Johansen:

Assign: KR-7-C  
cc: KC, KN, L, JCowger-TR


Thank you for your continuing interest and concern for the situation of \_\_\_\_\_ and the Pine Creek Ranch. Because I want to do everything possible to be of assistance to my constituent I would appreciate your continuing attention.

Recently, Mr. Perry Gruber of your staff spoke to the Wheeler County News. During the conversation Mr. Gruber stated that the BPA was committed to assisting the Pierces and suggests that this issue can be resolved amicably, reasonably and quickly. In recent conversations with members of my staff \_\_\_\_\_ stated that she too supported a reasonable, amicable and quick resolution.

I would appreciate receiving an update on developments concerning Pine Creek Ranch and situation. Please reply to my Portland office at 121 SW Salmon Street, Suite 1250, Portland, Oregon 97204.

Thank you again for your efforts on behalf of \_\_\_\_\_

Warm regards,



Gordon H. Smith  
United States Senator

GHS:jsr  
Attachment  
1) Wheeler County News Article

Copy:

Draft Copy of next Issue of Local paper  
2 pages

## Problem at Pine Creek?

Many residents of Wheeler County expressed concern when the Confederated Tribes of the Warm Springs Reservation acquired the Pine Creek Ranch with Bonneville Power Administration (BPA) funds last September, 1999. Residents wondered if the "Tribes" would be good neighbors. *"The Warm Springs Tribe purchased Pine Creek Ranch from its private owner for \$3.2 million using BPA funding from the agency's watershed and wildlife budget"*, according to a BPA news release last October. One family that could be displaced by the acquisition would like to make you aware of their situation.

They are Steve and Candy Pierce, and they came with their children to Wheeler County in June, 1999. They moved to Pine Creek Ranch as employees of owner Warren (Dan Eddleman and his partner, to set up and run an upland bird and big game hunt club for them. Since the sale of the ranch just 4 months later, the Pierce family has been struggling, fighting, and negotiating—struggling to stay here in our county that they've grown to love, fighting to stay afloat financially in one of the most economically depressed counties in Oregon, and negotiating with BPA and the Tribes for a resolution to the housing problem created with the sale of the ranch, and the belief they would need to move from Pine Creek Ranch. In desperation, the family is reaching out to inform county residents in the hope that under public scrutiny, the Tribe and BPA will finally resolve this issue.

"I would first like to thank Wheeler County News for taking an interest in this serious situation. I have brought this to the attention of... (an) Oregonian staff member, ... (and) Oregonian Regional Correspondent, ... Neither one responded. Just another hard realization that its difficult to be heard if you live in Small Town Oregon, and are of modest means!" says Candy Pierce.

*"The property sold in late September 1999, and with it our home and job. The owner and his partner never came to us and let us know of the sale. It was only after we heard it on the radio, read it in the paper, and received uncomfortable calls from our club members that Dan confirmed the sale and asked us when we could be out of the house."*

"As you know, Fossil is a great place to raise a family, but has few jobs and fewer homes for rent. We solved the job situation by setting up S&C Hunt Club and leasing a local ranch so that we could continue to work, ... but the housing issue had become a problem until an employee from ODOT (Oregon Dept. of Transportation) let us know about the Uniform Act," said Pierce.

"The Uniform Act was created in 1970 and has strict and clear guidelines for all federal agencies (BPA) to follow when they acquire property with federal funds that leave occupants (families) homeless (displaced). We contacted BPA officials and Tribe Rep. Terry Luther to inquire about our benefits. There was some hesitation at first, but soon we began to receive numerous letters, ... they did plan on assisting us and even hired professional relocater Allen Anderson." Allen Anderson, SR/WA, Universal Field Services, Salem, was contracted by BPA to determine the Pierces eligibility regarding relocation benefits under Public law 91-646, search for comparable housing, and provide BPA with a replacement housing study, as indicated in the Replacement Housing Study prepared by Anderson last May. Perry Gruber, BPA, has indicated Mr. Anderson is still working for BPA, providing his expert consulting on this matter.

Candy continues, "Allen was paid, ... to prepare a professional recommendation, that he presented to BPA, ... the BPA took one look at the proposal and decided to leave us in this house indefinitely, knowing that from this location our new business would suffer greatly." From the Pine Creek house, the Pierces are over an hour from their new business, "... that will suffer because of that distance." Candy shares.

"Where the situation is today, is we are indefinitely stuck at Pine Creek, ... and all for what? They (BPA/Tribe) made it clear in numerous letters that they planned to assist us in relocating because its the law, ... all my family has ever wanted is available, comparable housing under the criteria of the Act," says Candy.

This is a complicated situation, has many legal tangles yet to be sorted through, and it is difficult to condense so much information and correspondence between all the parties. But when contacted, both BPA and the Tribe agreed to comment on the problem.

"First, BPA is very interested in working with the Pierces and the Confederated Tribes of the Warm Springs Reservation to create a solution that will work for everyone and ensure the purposes of the Relocation Act are met. We are committed to continue assisting the Pierces. And we are glad the Tribes have no present plans to relocate the Pierces," says BPA press officer, Perry Gruber on August 4th.

"This wildlife mitigation project is very good news for the Northwest. It is taking land and reserving it for fish and wildlife restoration. Future generations will be proud of our decision to undertake programs like this one. All of us—the Tribes, BPA, and the Pierces—shouldn't let this project be marred by issues that can be resolved amicably, reasonably, and quickly," continues Gruber.

"Second, the situation with the Pierce family results from confusion created during the early stages of processing the land

transfer. Statements were made in documents describing the possible relocation of the Pierces. Both BPA and the Tribes have reconsidered whether the residence they now occupy is required for a caretaker as originally envisioned. BPA fully regrets the confusion. Again, BPA is very interested in working with the Tribes to put together a solution that will work for everyone."

Bill Buchanan, an attorney for the Tribes, also commented, "I am unaware of any plan to displace the Pierces from their current residence at Pine Creek. If such displacement were to occur I am confident that BPA and the Tribes would comply with all applicable laws. In fact, based on previous experiences with the Tribes, I wouldn't be surprised if the Tribes exceeded any legal requirements by accomodating any reasonable requests that the Pierces may have."

"The Tribes are responsible neighbors and are committed to the land and the local community for the long haul," said Buchanan on August 8th.

It seems this is *indeed* a distressing situation for the Pierce family, if they are eligible under law to be relocated, have been led to believe they would need to move, took steps to provide an income based on the need to move, and now have the Tribes telling them they can stay after all.

On the other hand; finding replacement housing (within reasonable financial limitations) in an area such as Fossil, with so few residences to choose from; the technical legal point that the Pierces were never given the 90 day notice the Relocation Act requires- and so have actually not been formally asked to move- and therefore do not qualify at this time for relocation benefits; and the question of whether the BPA and the Tribes are responsible for the fact that the new business the Pierces have chosen to start is located over an hour from the Pine Creek house,... it is easy to see how this situation could become mired so deeply under legal posturing.

Wheeler County News will keep a watchful eye on this situation, since it can so easily be identified with by most residents. On the face of this problem, it would be easy to say its just one more example of Big Federal Agency v.s. the Little Guy, but is that true in this case? Are BPA/the Tribes required to relocate the Pierces regardless of the cost, and bear responsibility for the fact that they started a new business over an hour from the house they are now not required to move from? If the Relocation Act has certain limitations built in to it, are the Tribes and BPA required to throw them out for one family, and ignore one of the options provided for- that of letting the potentially displaced family stay where they are?

But who cannot identify with the Pierces? When with documents and verbal conversations they were allowed to believe, and encouraged to believe, they would have to move, and took the courageous step in risking their own finances by starting a new business, to attempt to replace lost income? All because they wanted to stay in their 'adopted' county, leaving their children in the school they had made friends in, and staying in the community the family had established ties with?

This isn't an easy issue, and there isn't an easy answer, but WCN will try to keep residents informed. There are important projects the Tribes want to help promote in our county, and would like to make everyone more aware of. Both the BPA and the Tribes have privacy concerns in discussing at length the issue with the Pierces, but have been very willing to share what they are able. The Tribes in particular seem to be looking forward to a cooperative relationship with our county through supporting various projects, and earning the trust of the community. Perhaps a good resolution of the relocation issue would go a long way toward earning that trust.



## Department of Energy

Official File Copy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

JUL 06 2000

In reply refer to: KR-7C

The Honorable Greg Walden  
U.S. House of Representatives  
843 East Main Street, Suite 400  
Medford, OR 97504

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Dear Representative Walden:

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This is in response to your letter of June 13, 2000, regarding your constituent, \_\_\_\_\_, and her concerns about relocation from her residence at Pine Creek Ranch.

As \_\_\_\_\_ notes, the Warm Springs Tribe purchased the ranch in 1999 using Bonneville Power Administration (BPA) wildlife mitigation funds. The watershed is home to at least 36 animal and plant species listed as sensitive, threatened, or endangered. The tribe is restoring the land and managing it as wildlife habitat.

I am sorry that \_\_\_\_\_ feels that she and her family have been treated poorly in their efforts to find a new place to live when Pine Creek Ranch was purchased. But it's important to note that neither BPA nor the Tribe has asked the \_\_\_\_\_ to move out of the house they are renting. Since they are not being asked to relocate, they are not displaced persons under the Uniform Relocation Assistance and Real Property Acquisition Policies Act cited by \_\_\_\_\_.

However, because the \_\_\_\_\_ want to move, our staff has been trying to assist them. We hired an established relocation consultant to help her family find comparable housing. The \_\_\_\_\_ unique housing requirements present some difficulty in finding a comparable house. There is simply not a lot of housing in the sparsely populated Eastern Oregon area where the ranch is located.

We are discussing the matter with her attorney. I do not believe litigation would result in a settlement favorable to her, so we are trying to find mutually agreeable solutions.

If you have any specific questions about this issue, please have your staff contact Mr. John Cowger of BPA's realty staff, at (503) 230-3258, or Mr. Ernest Estes, of BPA's legal staff, at (503) 230-4023.

Sincerely,



Judith A. Johansen  
Administrator and Chief Executive Officer

---

cc:

The Honorable Greg Walden  
U.S. House of Representatives  
Washington, DC 20515

---



GREG WALDEN  
2D DISTRICT, OREGON

WASHINGTON OFFICE:  
1404 LONGWORTH BUILDING  
WASHINGTON, DC 20515-3702  
TELEPHONE: (202) 225-6730

DISTRICT OFFICE:  
843 EAST MAIN STREET  
SUITE 400  
MEDFORD, OR 97504  
TELEPHONE: (541) 776-4646  
TOLL FREE: (800) 533-3303



Congress of the United States  
House of Representatives

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RESOURCES AND REGULATORY AFFAIRS

WEBSITE:  
<http://www.house.gov/walden>  
E-MAIL:  
[greg.walden@mail.house.gov](mailto:greg.walden@mail.house.gov)

June 13, 2000

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 200-0273
RECEIPT DATE: 6.16.00
DUE DATE: 6.30.00

Ms. Judi Johansen  
Administrator  
Bonneville Power Administration  
PO Box 3621  
Portland, Oregon 97208

Dear Ms. Johansen:

I have recently been contacted by my constituent, \_\_\_\_\_, regarding  
her concerns with your agency.

My constituent has provided me with the enclosed letter that details her situation.  
I appreciate your attention to this matter in order to ensure that it is resolved in a  
timely fashion.

Thank you for your prompt attention to my inquiry. I look forward to hearing  
from you at my district office in Medford, Oregon.

Sincerely,

Greg Walden  
Member of Congress

GW/ms

Enclosure

ASSIGN: KR-7C

cc: A3, K, KN, T, McFarland-KR-7C,  
Estes-LC-7, Cowger-TR-3

cc. Bart  
Pat

**S & C HUNT CLUB, LLC**

---

TO: Greg Walden att: Cathy  
DATE: 6-5-00  
PAGES: 18  
RE: Ane Creek Ranch

---

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Mr. Walden-

I had sent this to you on May 5

along with several other Oregon representatives.

I have been hearing back from some of the

other people but the problem is they

have very little power with this being a Federal

Issue. Greg Smith District 59 candidate has

been most helpful in putting me in contact  
with people who can help. Senator Smith's office  
is awaiting a letter from the BIA, of the tribes  
interpretation of the law and has no plans to  
follow up on their decision if it is in conflict  
with my statements. Senator Wyden's office  
didn't even respond until May 26. I hope  
that you would please take the time to

May 9, 2000

Dear Senator,

My name is \_\_\_\_\_ and my family and I live on Pine Creek Ranch near Fossil Oregon in Wheeler County. Pine Creek is the ranch that the BPA/Warm Springs Tribe purchased in 1999 with BPA Wildlife Mitigation Funds. My husband and I moved to the ranch in May 1999 to create and manage a private hunt club for the owner and his partner called Pine Creek Members Club. The Club operated less than one year. It was brought to our attention by a concerned friend that works for ODOT Right of Way (Cliff) that we were eligible for relocation benefits under the "Uniform Relocation and Real Property Acquisition Act of 1970". You can find reference to this act at their web site [www.thwa.dot.gov/legisregs/directives/cfr49loc.htm](http://www.thwa.dot.gov/legisregs/directives/cfr49loc.htm). This act is the same act ODOT and Federal Highway use when they need to acquire property for a project. I brought this to the attention of Terry Luther (the tribe's representative) in early February 2000. I also brought it to the attention of John Cowger (BPA). Since we brought this to the attention of the agencies we have been juggled around, harassed, and treated very poorly. It wasn't until I wrote to Senator Smith on March 21, 2000 that we finally started getting some results from BPA. The BPA hired retired ODOT agent Allen Anderson in early April to once and for all handle this situation. Bob Easterling (our contact at BPA) assured me that Allen was a professional and that they (BPA) trusted he would be able to help us find "comparable replacement housing". Allen came out and met with us on April 7, 2000 to conduct the "occupant interview". We explained our unique situation about not only loosing our house but also our only form of employment when the BPA acquired Pine Creek. Allen gathered the needed information to begin the "housing study" and began the search "comparable replacement housing". Under normal conditions the process takes a few weeks and there are plenty of comparable rentals and the process goes quite smoothly. But this is not the case in Fossil Oregon. Allen was unable to locate a "comparable rental" so he had to turn to a section of the "Relocation Act" called "Housing of Last Resort". In this section of the act the agency has the options and power to do whatever is needed to relocate the "displaced persons" always trying to be cost efficient. With this in mind Allen began to look at homes for sale in the area because when its agreeable to the displaced person to become a homeowner the "act, encourages it". He found what appeared to all of us as the miracle house. It's a small three-bedroom home on 2.4 acres just out of Fossil. Allen brought this house to our attention and let us know that he did understand that the house was quite a bit smaller than our current house and that the "Act" allowed for the needed additions to be made. Allen had set a meeting with the BPA for May 5, 2000 at 1:00pm at which time he would bring his EXPERT opinion to them. The week before the meeting Allen had us fill out income verification forms, meet with the contractor to get the bid for the additions, and we also included a document from Norwest Mortgage pre-qualifying us for the house with the needed "down-payment assistance" from BPA. Allen had let us know that he had ran his proposal by his supervisor Lesley and they both agreed that it was the best solution to "our relocation". IM not sure what happened at that meeting on Friday May 5<sup>th</sup> but my family and I are once again waiting without the consideration of even a time frame for a decision to be made. I have contacted Allen twice since the meeting and he definitely seems to be frustrated and basically let us know he has no idea when the BPA will be making a decision or what it might be. We have tried for over a week

to get a hold of Bob Easterling (BPA) by e-mail and phone with no response. We also have tried to call John Cowger (BPA) and John Wichman (FHWA) all with no response.

The "Act" clearly states that all occupants of property being acquired for a Federal Project must receive a "written notice" giving them their rights and benefits under the act. This notice should be given on the date the "negotiations" to acquire property began. We received our general notice on April 7, 2000, seven months after the land sale was COMPLETED. We have asked repeatedly for the date of "negotiations" and the proof of that date. We have also asked several times if the Tribe is still involved and if the money for this relocation is coming out of the same "wildlife mitigation funds" that the purchase of Pine Creek came from. We have gotten either no answer, no proof of the date of negotiations, or the answers were conflicting between the Tribe and BPA. IM sure your wondering why we aren't retaining legal counsel. Well that's simple the "Act" also clearly states there are no provisions for litigation fees. So basically we would retain an attorney to force the BPA/Tribe to follow the Law and win only to pay an outrageous attorney bill! We have retained counsel to help keep the Tribe in line because they are now our new landlords and have tried to force us into signing a detailed lease agreement giving them the right to "terminate our tenancy with or without cause". That statement is in direct conflict with the "Relocation Act". We have been paying the requested rent each month and sending it registered mail.

We truly feel that if the Tribe/BPA had been legally responsible in following the "Act" and giving us a written notice before we moved in last year we would not have moved to the area. But we did move, and with us came an outstanding reputation in our field and a clientele that trusted us. This reputation and trust was compromised with the land sale of Pine Creek and still is by us not being able to get moved on. When Pine Creek sold and we lost our employment we had to make the tough decision of what to do. We decided that we liked the Fossil area and our kids were doing so well in school and another move was not in their best interest, so we took the plunge and started our own business. We leased the exclusive hunting rights on local ranch and began to start our own Hunt Club. Our clients put their trust and money into our good name when we came to Pine Creek and we lost a couple of them when the Club we sold them was gone in less than a year. We weren't even given the courtesy of telling us our job and home was gone we had to read it in the paper and find out through uncomfortable calls from our members. Now with this never ending nightmare of not knowing where we are going to live, where we are going to put our pens, dog kennels and so many more important things we need to accomplish in the next two months in order for this Club to be a success, our reputation to our clients is again on the line!

I STARTED THIS LETTER AT 11:00AM. IT IS NOW 3:18PM AND I JUST GOT OFF THE PHONE WITH JOHN COWGER BPA. HE SAID THE HOLD UP ON A DECISION WAS BECAUSE THE TRIBES ATTORNEY WAS OUT OF TOWN THIS WEEK. I ASKED HIM WHY THE TRIBE HAD INPUT BECAUSE BOB EASTERLING BPA TOLD MY HUSBAND THAT THE TRIBE HAD NO INVOLVEMENT! HIS ANSWER WAS YES THEY DO THEY ARE PARTNERS WITH BPA ON THIS PROJECT. I ASKED HIM IF THE MONEY WAS COMING FROM THE SAME FUNDS THAT THE PURCHASE OF PINE CREEK CAME FROM. HE DIDN'T ANSWER. HE DID SAY THAT THEY WERE GOING TO TALK TO THE TRIBE ABOUT RENTING THE HOUSE WE LIVE IN NOW UNTIL SOMETHING ELSE COMES ALONG. I TOLD HIM THAT WOULDN'T WORK BECAUSE AS I HAVE EXPLAINED TO THEM SO MANY TIMES WHEN THEY BOUGHT THE RANCH THEY TOOK OUR JOB AND OUR NEW JOB IS ONE HOUR AWAY FROM THIS HOUSE. THE ACT STATES THAT THE "COMPARABLE RENTAL" MUST BE WITHIN A "REASONABLE DISTANCE FROM YOUR WORK". I DELIVER 3 MEALS A DAY TO MY

HUNTERS; ONE HOUR ONE WAY IS NOT REASONABLE! NOT TO MENTION THAT OUR "NOTICE" STATES THAT WE WILL BE REQUIRED TO MOVE (ATTACHED). I ALSO REMINDED HIM OF THE PROBLEMS THAT MY FAMILY HAS HAD WITH THE TRIBE AND THE PEOPLE THEY ALLOW ON THE PROPERTY. HE TOLD ME TERRY LUTHER (TRIBES REP) SAID I WASN'T PAYING RENT. THAT IS AN OUT AND OUT LIE! I SEND IT REGISTERED MAIL AND I HAVE RECEIVED THE RECIEPT FROM THE POST OFFICE BACK EACH MONTH INCLUDING MAY'S RENT AND THAT THE TRIBE SENT ME A PERSONAL RECEIPT FOR APRIL'S RENT. I ASKED WHEN THEY PLANNED TO MAKE THE DECISION AND HE SAID THEY HOPED TO HAVE AN ANSWER LATER NEXT WEEK. I THEN ASKED "IF I WERE TO CALL NEXT FRIDAY MAY 19 YOU SHOULD HAVE AN ANSWER?" HE SAID NOT NECESSARILY, THAT THIS COULD TAKE SOME TIME.

The two agencies have behaved not only illegally for the last year but now they are acting with no compassion for my families pain and suffering through this mess. If this doesn't get properly resolved quickly we are in jeopardy of loosing our business.

~~We looked to BPA to do the right thing after realizing their negligence because no matter~~  
how you look at it they are the Federal Agency responsible for following the Federal Act. And now with this possible decision to leave us in this house indefinitely we can only concluded that they are basing their decision on the "criteria of expense" instead of basing it on the "criteria of the Act" and the recommendation of the professional they hired. And I guess now as a last resort we turn to you our elected officials to once and for all hold them accountable and help us to get moved on with our lives and focus on our new business.

Anxiously awaiting your response,

Copies sent to:

Senator Gordon Smith  
Senator Paul Wyden  
Greg Walden  
Linda Harrington  
Hardy Myers  
Lynn Lundquist  
Ted Ferrioli  
Greg Smith  
Lynn Snodgrass  
Courtney Thompson, Oregonian  
Lee Anderson, Bend Bulletin  
Times Journal, Condon Oregon  
Eastern Oregonian, Pendleton Oregon  
Allen Anderson, Right of Way Agent  
Todd Westmoreland, Attorney  
Greg Lynch, Attorney  
Governor John Kitzhaber

Attachments: copy of original letter and response by Senator Smith, news release by BPA, Oregonian article on purchase of Pine Creek, our General Notice, Federal regulations on Housing of Last Resort, notice from Bpa stating they plan to assit us in relocate and also state that "we will be required to move"



April 7, 2000

## General Notice of Relocation Rights

Dear

The property you are presently occupying has been acquired by the Confederated Tribes of the Warm Springs Reservation, utilizing federal funding provided by the Bonneville Power Administration.

★ Current plans indicate that you will be required to move from this property.

Occupants of dwellings, businesses, farms, and non-profit organizations who are displaced by the acquisition are entitled to various relocation benefits. Your rights and benefits are more extensively described in the brochure entitled "Your Rights and Benefits as a Displaced Person", a copy of which I have furnished with this letter.

You will not be required to move without at least 90 days advance written notice. At least one comparable dwelling must be made available, and you will receive written notification of its location.

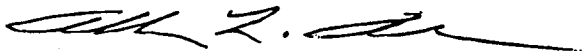
We will provide you with reasonable relocation advisory services, including referrals to replacement properties, help in filing relocation claims, and other necessary assistance to help you successfully relocate.

You have the right to appeal any determination that is made as to your eligibility for, or the amount of, any payment.

I will be preparing a replacement housing study to help determine your relocation benefits. After my study has been completed and reviewed, I will be contacting you with more specific information about your relocation benefits.

If you have any questions, please contact me at 1-800-294-5702.

Sincerely,



Allen L. Anderson, SR/WA  
Senior Relocation Specialist  
Universal Field Services, Inc.  
1214 Wallace Road NW, #321  
Salem, OR 97304-3008



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

DEC 01 2000

In reply refer to: KR-7C

The Honorable Gordon Smith  
One World Trade Center  
121 SW Salmon, Suite 1250  
Portland, OR 97204

Dear Senator Smith:

This is in response to your letter of November 20 conveying the concerns of your constituent, \_\_\_\_\_, has asked what "immunities" Congress has granted Bonneville Power Administration (BPA) that relieve the agency of the need to obtain property easements for installing fiber-optic cable on existing transmission lines.

In our August 24, 2000, response to \_\_\_\_\_' earlier letter, we said that Congress has affirmed its support of BPA's efforts to replace outdated microwave communications systems with fiber optics. We did not assert that Congress has provided BPA with any immunity from acquiring easements, as it appears \_\_\_\_\_ has inferred. As we have stated to \_\_\_\_\_ in other responses, the original easement that we acquired over his property when we built the transmission line provides us with the necessary rights to install fiber-optic cable along our rights-of-way. BPA is installing fiber-optic cable to ensure the continued reliability of the transmission system, as you are aware. We are using economies of scale, just as any other utility would, to acquire the fiber-optic cable capacity that we need now and in the future.

BPA owns and maintains the cable. \_\_\_\_\_ assertion that somehow private telecommunications providers "give it [the cable] to BPA" is erroneous. Nothing about the business transaction of a third party paying for the construction affects our ownership in any way.


We currently have no third party-owned fiber-optic cable on our rights-of-way. Third parties have shown very limited interest in pursuing third party or joint ownership options with BPA. Nevertheless, BPA has stated that it will assist interested third parties in obtaining transmission rights-of-way information, but we continue to be very clear that potential third-party owners would have to obtain their own easements.

Enclosed for your records is our response to \_\_\_\_\_ October 8, 2000, letter. At this point, we believe that we have supplied all of the information that we can to \_\_\_\_\_. We cannot provide legal advice to him. If he has additional questions about real property law, we have suggested that he contact an attorney.

I hope this is responsive to your request. If you have any additional questions, please feel free to have your staff contact Ms. Sonya Baskerville of BPA's legal staff. Thank you for your letter.

Sincerely,



 Stephen J. Wright  
Acting Administrator and  
Chief Executive Officer

Enclosure

cc:  
The Honorable Gordon Smith  
United States Senate  
Washington, DC 20510



GORDON H. SMITH  
OREGON

COMMITTEES:  
BUDGET  
ENERGY AND NATURAL RESOURCES  
FOREIGN RELATIONS

# United States Senate

WASHINGTON, DC 20510-3704

November 20, 2000

Mrs. Judi Johansen, Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0507
RECEIPT DATE: 11. 21. 00
DUE DATE: 12. 5. 00


Dear Ms. Johansen:

On August 2, I contacted your office regarding concerns about BPA sub-leasing transmission easements to fiber optic companies as expressed by ~~responded on August 24.~~ You ~~felt the response raised more questions than it answered~~ and has written directly to Don Gerig in the Eugene office. He has also asked me to advise him of what "immunities" Congress has granted BPA that relieves the agency of the need to obtain property easements for installing communications dark fiber lines. Could you please provide whatever information you can regarding this issue.

After you have completed your review, please send your findings and comments to my Portland office at One World Trade Center, 121 SW Salmon, Suite 1250, Portland, Oregon 97204 or fax your reply to me at (503) 326-2900.

Thank you in advance for your prompt attention to this inquiry.

Sincerely,



Gordon H. Smith  
United States Senator

GHS:mh

ASSIGN: KR7C  
cc: A-7, D-7, KN/Wash, T/Ditt2, TM/Ditt2  
OR CAE / P47 / BAKT

October 9, 2000

Sen. Gordon Smith  
404 Russell Senate Office Building  
Washington, DC 20510

Dear Sen. Smith,

I received your letter dated September 6, 2000, forwarding Bonneville Power Administration's response to your inquiry about the BPA easement rights on my property for commercial fiber optic purposes. The information that was forwarded was not particularly helpful as it pretty much reiterated information they had already given me. The one new piece was the assurance from Judi Johansen that it would not warrant its land rights for any third-party ownership of fiber on its transmission line. However it appears that they have promptly ~~circumvented this commitment by having a third party pay for the line~~ construction, give it to BPA, and then BPA gave some "leases" back to the third party dedicating fiber to them for their own use.

While this bending of the rules to suit their needs is rather disturbing from an ethical standpoint, I'm not sure it really matters since they have leased rights to others that I do not believe they have any right to themselves. Ms. Johansen seems to believe that BPA has the blessing of congress to operate and lease fiber in a manner that is unrelated to the operation of the transmission line, without any easement rights to do so. My question for you is: Has the federal government passed any laws that make BPA immune from the need to obtain easements for rights that they did not have?

I am attaching a letter I am sending to BPA asking for clarification for a number of contradictions that came to light when they sent me their report to congress for review. Either they are not telling the truth to congress or they are not telling the truth to me. Hopefully we can get some of these items cleared up.

I would appreciate it if you could just let me know what immunities BPA has been granted by congress relieving them of the need to get property easements to enter the dark fiber communications business.

Sincerely,

October 8, 2000

Mr. Donald D. Gerig  
Bonneville Power Administration  
86000 Hwy 99 South  
Eugene, OR 97405

Subject: Carlton-Trask Line No. 1 Easement  
Tract No: CA-T-20; CA-T-AR-5-2

I received the additional information that you sent to me on September 27, 2000 for the purpose of providing answers to some of my questions. Unfortunately, ~~"Power Marketing Administrations' Fiber Optics Executive Summary Report to Congress:"~~ with Appendix C – "Bonneville Power Administration Fiber-Optic Cable Plan" raised more questions for me than they answered and also included some discrepancies with previous information. Maybe you can help clarify some of these issues for me. I assumed that the plan contained accurate and current information, but I am not sure that is the case.

Since the last time we talked, I also became aware through an article in the BPA publication "Access" that "the commercially available fiber has been licensed to a telecommunications company, which is funding the approximately \$4 million project".

Some comments/questions about the plan you sent me for review:  
BPA Fiber-Optic Cable Plan:

1. Based on the statements on page 1, I assume that BPA has reserved 20 fibers for their own use, and that the lease mentioned above terminates on or before the year 2018 when all of the fiber is needed by BPA. Is this correct?
2. BPA will light operational fiber within one year of completed build. When will this build be complete? Is it safe to assume its completion date is no later than when the leased fiber is lit?
3. Page 1, section 1.2 states that BPA backbone requires 72 fibers, Section 2.2.1 on page five reiterates that 72 fiber cable is being installed, and Table 2 specifically shows that the Beaverton-Tillamook line will be a 72 fiber cable. You have told me that the cable is a 36 fiber cable and the Access article also states it is a 36 fiber. Which is it?
4. Section 3.2 states that most easements "contain specific language for appurtenances, including appurtenant telegraph/telephone and signal lines". I would like to remind you that your easement on my property does NOT grant you appurtenant telegraph/telephone rights.
5. Section 3.2 states that "Although Bonneville's easement rights are generally sufficient to support Bonneville's operational needs, these easement rights

may be insufficient to support use of a third party-owned fiber, where such use would not be in support of the power system. I agree with the above statement and would add that your easement rights are also insufficient to support use by BPA of fiber that would not be in support of the power system. I can't see anything in my easement that gives BPA this right any more than it does to a third party. You have the same rights to operate the fiber in a manner not in support of the transmission line as a third party – NONE.

6. Throughout the document, there seems to be acknowledgement that third parties must obtain their own easements from landowners, and this was supported in the letter from Judi Johansen to Sen. Gordon Smith dated August 24, 2000. In a BPA brochure (Fiber Optics – connections for your Northwest community) that I was given on August 3, 2000, it states that "We'll continue to work with commercial providers who are looking for routes parallel to ours. When they work with us, they can market their services sooner, because they don't have to acquire new material, land and rights-of-way to construct their own facilities." The latter seems to be what has actually happened in practice. Which way is it supposed to be?

Executive Summary Document:

1. The summary lists a number of "creative" ways BPA uses to finance and install communications fiber. Since it seems to be critical, at least in BPA's opinion, which one is in use with regards to easement rights, I would like to know what the arrangement is for the commercial use (not in support of operation of the transmission line) of communication equipment on my property.
2. The Page 5 discussion of Right-of-way issues states "A few, newer agreements specify appurtenances to include "communications" facilities". Clearly BPA has identified and made the distinction between easements that have rights to only "appurtenant signal lines", those with "appurtenant telephone/telegraph and signal lines", and those with "communications" easement rights. I agree that you have appurtenant signal line easement rights, but could you clarify for me where BPA thinks they have obtained the rights to telephone/telegraph or communications on my property?

In some of our previous discussions, you have indicated that BPA's legal department feel the courts support your rights to a commercial venture with communications company under our existing easement, and this is mentioned in Judi Johansen's letter to Sen. Gordon Smith also. I asked if you could provide me with references to the cases to which you are referring. If I could see that you are clearly correct in this position, it would save us both a lot of time and trouble. Lacking any information from you so far, I have tried to do my layman's best to research this issue, and my limited efforts have led me to believe just the opposite. I would still like to see what court cases you are referring to since I have apparently missed something. Would you please provide me with those references?

I am not interested in pursuing litigation as a preferred method of protecting my landowner rights. It takes a lot of time, energy, and money, and I would probably need to involve a number of other landowners to make it worthwhile. However, if we can not come to some sort of agreement concerning the easement rights, that is a course of action that I will have to seriously consider. I would like to continue our dialogue and a good faith effort on your part would be if you could provide the answers to some of the questions I have posed and could clarify some of the relevant contradictions contained in the various BPA documents.

Let me know how you would like to proceed with the resolution of this matter.

---

Sincerely,

c. Sen. Gordon Smith



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

August 24, 2000

In reply refer to: KR-7C

The Honorable Gordon Smith  
United States Senate  
Washington, DC 20510

Dear Senator Smith:

This is in response to your letter regarding the concerns of your constituent, and the use of the Bonneville Power Administration (BPA) easement across his property to install BPA-owned fiber optic communication lines.

As has indicated to you, BPA's easement across his property includes the rights to install a transmission line and appurtenant signal lines. The intent of the "appurtenant signal line" language in this easement was to recognize the need of communications systems in the operation of a transmission line. Technical terminology and technology has changed dramatically in the 60-plus years that BPA has been in the transmission business. However, the intent of the language has remained the same.

Fiber-optic cable provides the communications technology BPA needs for reliability and control of the system. BPA's analog microwave systems are growing obsolete, and we are finding that manufacturers are not continuing to support that equipment. BPA needs to have stable and continuous communications systems in place in order to satisfy its statutory mandate.

This is not an "entry into the communications market," as describes it, but rather a planned and cost-effective approach to building for current and long-term operational needs. It is not economically feasible to build a fiber network based just on today's needs, returning to rebuild to higher capacity every few years. The fiber cable BPA plans to install at this location is a 36-fiber cable, which is the minimum size we have anywhere in our system.

As we have described in our recent report to Congress ("Power Marketing Administrations' Fiber-Optics Executive Summary Report to Congress," May 24, 2000), some fibers which are temporarily excess to our needs are leased to third parties. Not only does this help to defray our costs of conversion from a microwave based control and operation system to a fiber based control and operation system, but it also allows for industry use of a temporarily available federal resource. And it provides the ability for BPA to expand its fiber use over time in a planned and cost-effective manner.


Mr. Bernards also addresses concerns with "outright sale of attachment rights to third parties" and BPA's ability to use its easement rights to authorize such contracts. BPA agrees with Mr. Bernards' assessment of this situation. In the above-referenced report to Congress, BPA indicated that it would not warrant its lands rights for any third-party ownership of fiber on its transmission system. Companies that wish to enter into agreements to build, own, and operate fiber on the BPA transmission system must buy easement rights from the underlying fee owner of the land.

may access additional information on BPA's fiber optics, including our recent report to Congress, at our web site:

[www.transmission.bpa.gov/orgs/t/tn/tnf/fiberoptic/](http://www.transmission.bpa.gov/orgs/t/tn/tnf/fiberoptic/)

I hope this information is helpful to you in addressing the concerns of further questions, please feel free to contact me or have your staff contact Bob Lahmann, Transmission Business Line account executive, at (360) 418-2092. If you have

Sincerely,

  
Judith A. Johansen

Judith A. Johansen  
Administrator and Chief Executive Officer



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

JAN 03 2001

In reply refer to: KR-7

The Honorable Greg Walden  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Walden:

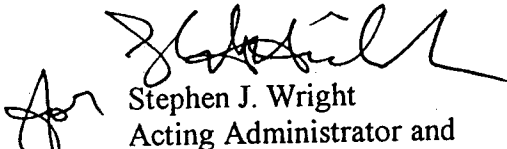
I am in receipt of your letter of December 12, 2000, requesting an update on the situation with your constituents, and their request to be relocated due to federal funding for acquisition of the home they are renting.

You ask for a timeline projecting when this relocation will take place. The schedule is contingent on our reaching a mutually acceptable resolution with the Bonneville Power Administration (BPA) legal staff are in communication with the Pierce's attorney. We have tentatively scheduled a meeting with all parties for Monday, January 29, 2001, with the hopes that this will move us closer to resolution.

Certainly BPA would like to resolve this in a timely fashion. In the meantime, as you know, the Pierces are free to remain in their rented residence.

I will keep you informed through staff of any significant progress on this issue. If you have any questions, please contact me or have your staff contact BPA Legal Counsel Ernie Estes, at 503-230-4023.

Sincerely,

  
Stephen J. Wright  
Acting Administrator and  
Chief Executive Officer



GREG WALDEN  
2D DISTRICT, OREGON

WASHINGTON OFFICE:  
1404 LONGWORTH BUILDING  
WASHINGTON, DC 20515-3702  
TELEPHONE: (202) 225-6730

DISTRICT OFFICES:  
843 EAST MAIN STREET, SUITE 400  
MEDFORD, OR 97504  
TELEPHONE: (541) 776-4646  
TOLL FREE: (800) 533-3303

P.O. Box 145  
606 STATE STREET, SUITE 1  
HOOD RIVER, OR 97031  
TELEPHONE: (541) 386-9152



## Congress of the United States House of Representatives

December 12, 2000

Ms. Judi Johansen  
Administrator  
Bonneville Power Administration  
PO Box 3621  
Portland, Oregon 97208

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0548
RECEIPT DATE: 12.18.00
DUE DATE: 1.2.01

COMMITTEES:  
AGRICULTURE  
DEPARTMENT OPERATIONS,  
OVERSIGHT, NUTRITION AND FORESTRY  
RISK MANAGEMENT,  
RESEARCH AND SPECIALTY CROPS  
RESOURCES  
ENERGY AND MINERAL RESOURCES  
WATER AND POWER  
GOVERNMENT REFORM  
GOVERNMENT MANAGEMENT,  
INFORMATION AND TECHNOLOGY  
NATIONAL ECONOMIC GROWTH, NATURAL  
RESOURCES AND REGULATORY AFFAIRS  
WEBSITE:  
<http://walden.house.gov>  
E-MAIL:  
[greg.walden@mail.house.gov](mailto:greg.walden@mail.house.gov)

Dear Ms. Johansen:

I have been contacted again by my constituents,  
regarding the problems that they have been experiencing with your agency.

According to the , the relocation of their family that was to occur due to  
the federal acquisition of their home has yet to take place. I would like an update  
on the status of this relocation and a timeline that projects when it will be  
completed. I trust that everyone involved would like to see this resolved in a  
timely fashion.

Thank you for your time and attention to this request. You may respond to me at  
my district office in Medford, Oregon.

Sincerely,

Greg Walden  
Member of Congress

GW/ms

ASSIGN: KR-70

cc: A-7, D-7, KN/Wash, EEstes-LC-7, T/Ditt2,  
JCowger-TR-3

Bart/Pat



Department of Energy

Official File Copy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

JAN 03 2001

In reply refer to: KR-7

The Honorable Max Baucus  
18 5<sup>th</sup> Street South  
Great Falls, MT 59401

Dear Senator Baucus:

This is in response to your inquiry of December 5, 2000, regarding the concerns of your constituent, [redacted] and his desire that Bonneville Power Administration (BPA) relocate him to a Montana duty station. I believe a history of [redacted] positions and relocations with BPA will help to illuminate the situation.

[redacted] came to Garrison substation as a journeyman electrician in 1990. In 1993, BPA reduced the size of the staff at the Garrison substation, and [redacted] was offered several other positions in BPA, including a position in Vancouver. He accepted the Vancouver position and BPA paid his moving expenses. [BPA reimburses its employees for relocation expenses under policies set out in the Federal Travel Regulations (FTR) and our labor agreement with the Columbia Power Trades Council (CPTC). Under the current CPTC agreement, a BPA employee is allowed one move at BPA expense every 15 years unless the move is a promotion.] In 1995, [redacted] voluntarily bid out of Vancouver back to Kalispell as a journeyman electrician (taking a pay cut). In 1997, he again voluntarily bid back to Vancouver.

In June 2000, one of the journeyman electricians at Garrison left BPA for other employment. We offered [redacted] the position and he turned it down. Later he said he would move to Garrison if we gave him a one-time relocation bonus of 25 percent of base pay, a retention bonus of 25 percent of base pay per year, and he also asked that we pay his relocation costs (estimated to be \$50,000). BPA declined to make such offers.

By this time, BPA had begun to look at different options for maintaining the Garrison substation. Since Garrison was constructed, BPA has had difficulty finding and retaining qualified people there because of its remote location. After a substantial analysis, we found that we could maintain Garrison substation equipment from Kalispell by adding two electricians to the Kalispell crew. The net savings to BPA was estimated at over \$60,000 per year.

In September 2000, we eliminated the electrician crew at Garrison and added a journeyman and a foreman to the four-person Kalispell crew, making the crew a six-person crew. Due to the increase in crew size, and consistent with our CPTC agreement, we upgraded the Kalispell foreman II position to a foreman III. (The primary difference between a foreman II and a foreman III is the number of people supervised.) The foreman III and foreman I positions at Kalispell were filled with internal applicants. We made the selection based on the applications as they submitted for the positions and in accordance with the CPTC agreement and Federal Personnel Regulations.

We offered one of the journeyman positions at Kalispell. He again asked for a paid move and we declined. Since there were no other internal applicants, we hired two outside candidates. One of them lived in the Seattle area, and we did pay moving expenses for him. (Per the FTR, BPA pays rather limited expenses for outside hires – approximately \$10,000.) The other person we hired was local.

I believe the record shows that BPA has proceeded in good faith, according to personnel regulations for the agency and for the Federal Government, and consistent with our labor agreements. It is regrettable that has not been able to find satisfactory employment in Montana, but BPA has met any responsibilities it has to help him. may want to keep his name on BPA's internal applicant list. He may be offered another position in Montana if an opening occurs.

I trust this is responsive to your inquiry. Should you have any other questions, please contact me or have your staff contact BPA personnel specialist Ben Stevenson, at 360-418-8764.

Sincerely,



Stephen J. Wright  
Acting Administrator and  
Chief Executive Officer

cc:

The Honorable Max Baucus  
United States Senate  
Washington, DC 20510

---

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MAX BAUCUS  
MONTANA

WASHINGTON, DC  
(202) 224-2651

MONTANA TOLL FREE NUMBER  
1-800-332-6106

# United States Senate

WASHINGTON, DC 20510-2602

December 5, 2000

Mr. Randall W. Hardy  
Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208

Dear Randy:

ASSIGN: ~~KR-70~~  
cc: A-7, D-7, KN/Wash, ACourts-TN-3,  
CNellis-TNS-AMPN-2  
PAT | BART

I am sending the enclosed communication from one of my constituents,  
, for your consideration. I would very much appreciate your comments on this matter.

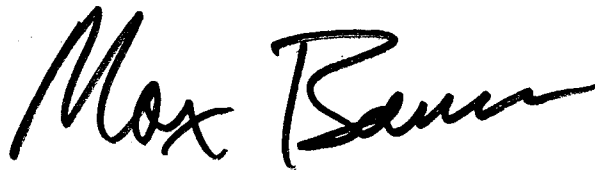
Please direct your reply and any questions to my Great Falls office at the address and  
phone numbers provided below:

Senator Max Baucus  
18 5th Street South  
Great Falls, MT 59401  
406-761-1574

Thank you for your assistance.

With best personal regards, I am

Sincerely,



MSB/gre

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000.0529
RECEIPT DATE: 12.11.00
DUE DATE: 12.26.00

INTERNET:  
max@baucus.senate.gov  
<http://www.senate.gov/~baucus>

## # 1 View e:\emailobj\200009\927154453.txt

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From:  
Date: Wed, 27 Sep 2000 15:43:35 -0400 (EDT)  
To: webmail@baucus-iq.senate.gov  
Subject: www\_email

---

Senator Max Baucus

27 Sep 00

As a native of Montana displaced from Montana by my federal employer Bonneville Power Administration I am writing to you because of something you said to me when you first ran for the office of Senator. Your first term you walked down Raymond street in Missoula, turned into the large mansion of Dr. Hogan. You came to the garden where we were working and introduced yourself and asked for our support in your campaign. You also said that if you could ever do anything for us to contact you. As a former registered voter in Montana, I have given you my vote as you have kept your word and promises as much as possible in Washington and for Montana.

In 1990 I began working for BPA, in 1993 I was told I had to choose Ellensburg or Lewiston if I want to continue working for BPA. I selected the current position of an Electrical Test & development Craftsman as it offered more and is a challenge. I returned to Kalispell in 1995 and then back to the labs in 1997 because I had moved my two older children in high school. I felt that neither one would finish high school. Both have graduated and have continued their education. Recently BPA had openings in the Garrison district, which I had bid. I was offered the position of journeyman there. This meant paying for the move to Deer Lodge, and taking a \$10,000.00 cut in pay per year. Because I was the only bidder for Garrison, which was also the case in 1990 when I was hired. BPA closed the maintenance district and gave early retirement to the remaining journeyman there. I stated I would take the position and cut in pay if BPA would pay for the move. The reply was we have other qualified bidders and they wouldn't. To my understanding they went to the outside to fill

When BPA management makes these kind of decisions they not only affect the employee, but the family of the employee, and the communities in Montana. As in my case my wife works for the school district so another vacancy. Where the population is large no problem, but Deer Lodge doesn't have that many qualified people, and even less moving there to grab up the jobs that are open. Deer Lodge's economy has been reduced by \$125,000 annually from this actions. The management position that went to Kalispell were filled, but I was not contacted for any of them although in the bid process I rated most qualified for them. BPA's management says one thing and then does another. Example a fire in Dec of 1997 that was reported to DOE as being under \$100,000.00 was actually closer to \$500,000.00 in damage and repair costs. One control panel in the fire cost \$150,000 to replace. The entire EHV control room was destroyed, and took almost 9 months to repair. The fire is the reason I am back in the position I now hold. Because of the knowledge and skills I have I was able to get the facility operational again with the help of several journeyman.

I know there is probably nothing you can do that would allow my family to return home to Montana. Even the union says I should file a grievance but that would only close the door tighter for my return if another opportunity presented itself. But if there is something you or your office could do I would appreciate it as there really is no place like Montana to live.  
Thank you for your time

==== Original Formatted Message Starts Here =====

<APP>SCCMAIL



## Department of Energy

Official File Copy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

JAN 09 2001

In reply refer to: KR-7C

The Honorable David Wu  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Wu:

This is in response to your letter to me of December 11, 2000, regarding your constituent, \_\_\_\_\_ and his concerns about the hiring practices of the Bonneville Power Administration (BPA). First, let me say that BPA adheres to the rules, regulations, and direction issued by the Office of Personnel Management (OPM), the agency with oversight responsibility for virtually all personnel activities carried out in the Federal Government. OPM regulations forbid discrimination in hiring based on a person's " . . . race, color, religion, sex, or national origin, as prohibited under section 717 of the Civil Rights Act of 1964." [Section 2302, Title 5, U.S. Code (b)(1)(A)]

With that in mind, let me address the two BPA vacancy announcements \_\_\_\_\_ references and the methods that BPA used to make the selections.

The first announcement that \_\_\_\_\_ mentions is V-067-99. This was a recruitment announcement for the position of Electrical Engineer, GS-0850-13, in our Transmission Business Line, Operations & Planning, Network Planning organization. V-067-99 was a reissue of a prior announcement, number V-040-99, which was open from May 10, 1999, through May 21, 1999. We only received two applications for V-040-99—one from a basically qualified US citizen, the other from a non-citizen whom we disqualified on grounds of citizenship.

Since we received so little interest for the first announcement, we issued V-067-99. Hoping for a broader pool of applicants, we left the announcement open twice as long as we usually do (from September 1, 1999, through October 1, 1999). We also supplemented the effort by advertising the vacancy in a trade publication, at a cost of \$2,300. As a result of this effort, we received a few (7) basically qualified applicants.

A subject matter expert's review (as required by OPM and incorporated as a regular part of our recruitment activity) found that none had sufficient qualifications to be considered a viable candidate. Thus, BPA cancelled announcement V-067-99 and mailed advisory letters to the applicants, as \_\_\_\_\_ acknowledges receiving.

Because both announcements failed to draw a fully qualified candidate from the ranks of applicants who were U.S. citizens, BPA sought authorization from OPM to hire the non-citizen who had applied on V-040-99. This person worked for a contractor that BPA engaged for technical engineering support. He was highly qualified for the position and needed no break-in time or training in order to perform all aspects of the position. OPM approved the hire. I can understand how this might have been misinterpreted by someone not familiar with our federal personnel systems and processes, with its built-in fairness and equity.

The application that \_\_\_\_\_ submitted for announcement 01-020-DE was not deemed acceptable in accordance with guidelines issued by the OPM. As noted in our letter to him dated November 13, 2000, OPM guidelines specify that foreign education can be used to qualify an applicant only if it is accredited by a national or regional accrediting association in the United States. This requirement is independent of any of the "non-merit" factors of color, religion, sex, or national origin. In the letter we enclosed information to assist \_\_\_\_\_ in gaining such accreditation.

I hope that this information provides \_\_\_\_\_ with better knowledge of how the federal personnel system works. I assure you that BPA is committed to nondiscriminatory hiring practices, and that we have no interest in compromising the OPM system. Given his interest in public service, I would hope that \_\_\_\_\_ would continue to apply on BPA vacancy announcements, and that he would find the information our personnel staff gives him useful in accomplishing his goals.

Sincerely,



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Stephen J. Wright  
Acting Administrator and  
Chief Executive Officer

---

DAVID WU  
1ST DISTRICT, OREGON

510 CANNON BUILDING  
WASHINGTON, DC 20515-3702  
TELEPHONE: (202) 225-0855

620 SW MAIN STREET  
SUITE 606  
PORTLAND, OR 97205  
TELEPHONE: (503) 326-2901  
(800) 422-4003

<http://www.house.gov/wu>

[david.wu@mail.house.gov](mailto:david.wu@mail.house.gov)



**Congress of the United States**  
**House of Representatives**

Washington, DC 20515-3701

December 11, 2000

COMMITTEES:  
EDUCATION AND THE WORKFORCE  
EARLY CHILDHOOD, YOUTH AND FAMILIES  
EMPLOYER-EMPLOYEE RELATIONS  
SCIENCE  
TECHNOLOGY  
SPACE AND AERONAUTICS  
VICE-CHAIR  
CONGRESSIONAL  
ASIAN PACIFIC CAUCUS

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2000-0533	MEMBER PRESIDENT'S EXPORT COUNCIL
RECEIPT DATE: 12.12.00	
DUE DATE: 12.26.00	

Mr. Steve Wright  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208

Dear Mr. Wright:

I am writing on behalf of \_\_\_\_\_, formerly of the People's Republic of China, who has written to me to express his belief that, because of origins, he has suffered from discriminatory hiring practices while attempting to apply for employment with the Bonneville Power Administration.

\_\_\_\_\_ who is now a citizen of the United States, has provided me with a copy of his resume and copies of the rejection letters from BPA. A copy of his letter and attachments is enclosed. He adamantly asserts that he is prejudicially being rejected from employment because of his nation of origin and initial foreign education. These are grave allegations that I take very seriously. I would appreciate a complete and careful investigation into these claims.

Your prompt attention to this matter is appreciated. Please contact Ann Richardson in my Portland District office (503-326-2901) should you require additional information regarding this matter.

With warm regards,

David Wu  
Member of Congress

DW:arr  
Enclosure

CC: Anne Morrow  
Regional Affairs, KR7  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208

ASSIGN: KR-7C

cc: A-7, D-7, KN/Wash, TO/Ditt2, CH-1,  
SCustard-CHM-1, AMorrow-KR-7C  
PAT/BART



December 2, 2000

DEC 4

Mr. David Wu  
US Representative  
620 SW Main St. Suite 606  
Portland, OR 97205

Dear Distinguished Mr. Wu

As an admirer of your records as promoter of diversity and fairness, I, \_\_\_\_\_ as one of your constituents and fellow Chinese, am strongly urging you to look into the discriminatory hiring practices of Bonneville Power Administration (BPA).

Due to the requirement to be a US citizen to apply for a federal government job, I have waited for long time to become a US citizen to apply a job with BPA. Because I was highly trained in the field (with MSEE and Ph.D. in Power Utility fields), and I want to use my skills to serve the general public, I have always wanted to work for BPA. Unfortunately, I have had the following experiences while I was trying to apply for two jobs with BPA during the past more than a year or so time period:

In the September of 1999, I applied a position announced with number of V-067-99 as electrical engineer by BPA. I had received a notice later on to inform me that the position was cancelled without any causes. Only later from reliable source, I have learned that the job position was created for an European born engineer, who was working as contractor for BPA and was not an US citizen at that time; in hope that there was no US citizen who would be able to answer the technical questions, then he would have the job. Once I applied the job and answered the questions, they closed the opening.

In October of 2000, I applied a position announced with number of 01-020-DE as electrical engineer by BPA again. The application was quickly turned down on the ground of my education or my experience was not suitable to the job. I was astonished by the way that BPA treated my application.

I graduated from the graduated school of Electric Power Research Institute of China (EPRI of China), one of the most prestigious graduated schools of power system research in China, with MESS and Ph.D. degrees specialized in power systems. I was the first Ph.D. that they honored ever in their history. EPRI of China is well known in the power utility industry in US.

I have had no any trouble to get the university and companies to recognize my degrees. I was accepted as postdoctoral research fellow by Howard University in Washington DC upon I earned my Ph.D. degree. I was there for more than two and half years. During the time I was there, I had worked for project for BPA. Jim Ray of BPA was the manager for the project that I worked on.

After that, I have worked for four private companies, two of them in power system software development, two of them in other high-tech industry. There is no question that US companies in power utility industry know about EPRI of China. Nevada Power made me an offer to be their senior engineer in early 1998 to install and maintain their Energy Management System (EMS) which is developed by ESCA Corporation. BPA's job opening is for a person to maintain ESCA's SCADA system, which is part of their EMS software, and to communicate with ESCA. To my view, I am qualified for the position for my education.

For just argument sake, we assume that BPA has difficulties to accept my education background, my more than 18 years working experience, including almost 13 years in US, in the power utility and software development fields is also qualifying me for the position. I worked as postdoctoral research fellow in Howard University for more 2 and half year on DOE, NSF and BPA projects. I worked as senior analytical engineer for Electrical Systems Analysis (ESA), Inc. for more then 7 years to develop commercial software

for industrial power systems. In those years with ESA, I had developed into an expert of one key power system simulation technology sparsity matrix. I worked as senior software developer for ASPEN, Inc. in California. BPA is currently using ASPEN's software for their every day operations. I also worked as senior software design engineer for Biamp Systems, a commercial audio system manufacture, in Beaverton, OR. I am currently working as senior software engineer for FEI Company, a microscopy machinery development company in Hillsboro, OR.

I am a member of Institution of Electrical and Electronic Engineers (IEEE) for more than 10 years and a senior member since 1992. I have more than 10 publications in IEEE transactions and other international journals specialized in electric power fields.

For the years of practices in industrial and utility power systems, I have been acquainted with a lot distinguished engineers and software development pioneers in electric power industry. Some of them come very good friends of mine. Those names include William F. Tinney, John Donki-Jacobs and etc..

As a summation of above, the only conclusion that I can draw from BPA's hiring processes is that they have been engaged in discriminatory practice against certain group of foreign born and foreign educated US citizens. Their practice is unfair and greatly reduces the capabilities of certain group of people to achieve their best as US citizen in the best interests for them and for the nation as a whole.

I, again, strongly urge you to look into this matter.

I am enclosing my resume for you as reference and the correspondences from BPA to this letter.

Thank you very much for your time and I am looking forward to hearing from you.

Sincerely,

Enclosures:

Copy of my Resume.

Copy of notices and letters from BPA (2 pages).

---

Department of Energy

Bonneville Power Administration  
P.O. Box 491  
Vancouver, Washington 98666-0491

SHARED SERVICES

November 13, 2000

In reply refer to: CHM-1

Dear

We regret to inform you that your application for vacancy announcement 01-020-DE, with Bonneville Power Administration did not receive further consideration. To meet the basic qualifications for Electrical Engineer you need to have your foreign course work/degree accredited by a national or regional accrediting association in the United States. To assist you in this endeavor I have enclosed information on the paperwork you need to submit and address of where to send this information. If you have any questions regarding this process, you may contact the Staffing Center, 360-418-2090 or 503-230-3055.

Your interest in working for the Bonneville Power Administration is appreciated.

*for Susan Custard*  
Susan Custard  
Manager, Acquiring and Positioning Human Resources  
Bonneville Power Administration

---

**Department of Energy**  
Bonneville Power Administration  
P.O. Box 491  
Vancouver, WA 98666-0491

In reply refer to: CHR/PSB-2

	<b>Date: 10/21/99</b>	<b>VACANCY ANN NO.</b> <b>v-067-99</b>
	<b>Position Title: Electrical Engineer</b>	
	<b>Series: 850</b>	<b>Grade: 13</b>
	<b>Division: TBL – Transmission Operations &amp; Planning</b>	

Thank you for your interest in the above position described. The following action was taken with respect to your application:

- ☐ Congratulations! This confirms that you have been selected for the position effective  
☐ has been selected for the position.
- ☐ You were among the candidates considered by the selecting official, but not selected.
- ☐ You were among the qualified candidates, but not referred to the selecting official.
- ☐ A ranking panel was held for this position and you were not found to be among the highly qualified applicants.
- ☐ The vacancy has been re-advertised. Your application will be considered (you need Not reapply).
- ☐ You were not considered for the position for the following reason(s):
- ☐ You do not meet minimum qualification requirements:
- ☐ This vacancy was open only employees of Bonneville Power Administration.
- ☐ Your application was received after the closing date of the announcement.
- ☒ The vacancy notice has been canceled because:
- ☐ The position will be filled by lateral reassignment.
- ☒ The position will not be filled at this time.
- 
- ☐ Your application is returned.
- ☒ Your application will be retained with our records of this vacancy.
- ☐ Your application has been returned to the Recruitment and Examining Section of BPA
- ☐ Your application has been returned to the Office of Personnel Management for future Referral.

If you were not selected for this position, we encourage your continued interest in future employment or advancement opportunities in BPA. If you have any questions please contact Robin Henderson (360) 418-2098.

**Objectives** To apply for the Electrical Engineering position GS-850-13 with announcement # 01-202-DE..

**Education**

Ph.D. Electrical Engineering, January, 1988, Electric Power Research Institute (EPRI.C), Beijing, China

MSEE Electrical Engineering, August, 1982, EPRI.C, Beijing, China

BS Applied Math, September, 1979, Hunan University, Changsha, China.

**Professional Organizations:** Senior Member of IEEE/PES, IEEE/IAS and IEEE/CS since 1992.

**Work Experience**

Considerable experiences in utility and large industrial power systems. *The engineering aspect* includes: system planing, operational scheduling, SCADA systems, control scheme design, control devices design, system conceptual design, steady and dynamic state analysis, system trouble shooting, system specification, protection device coordination. *The software development aspect* includes: modeling, algorithm development and programming of short circuit under utility and ANSI, IEC standard, power flow, transient-midterm-long-term dynamics, optimal power flow, contingency selections, expert system applications, voltage stability analysis.

**Special Skills**

***Electrical Systems:*** Electric power systems transmission planning, simulation, and trouble shooting, engineering, control theory application, large linear and non-linear systems research, modeling, simulation, software development.

***Mathematics:*** Large-scale sparsity matrix expert, ODE integration method expert. Dynamic simulation method expert.

***Computer System:*** System management and experiences on the IBM Mainframes, Digital minicomputer systems, workstations, PCs. MVS, VMS, DOS, Windows (3.xx, 95, 98, NT), LAN.

***Software and Languages:*** C, Visual C++, Visual Basic, FORTRAN, SQL, MFC, Microsoft SDK, Platform SDK, MS SourceSafe, MS Test, OLE and OLE automation, MS Services Architecture, OOA, OOD, OOP, Rational Rose, Linpack, Eispack, Matlab, ETMSP, EMTF.

**Chronological Experiences**

Mar. 2000 – Present	Senior Software Engineer. \$85,000/year, 40hrs. HFI Company, 7451 NW Evergreen Parkway, Hillsboro, OR 97124 Supervisor: Eric Thompson, (503) 640-7577
	<i>Responsibility and accomplishments:</i> Electron/Ion microscopy machine control software upgrade and development. Software architecture, platform infrastructure and GUI design, development and SQA. AVA stage motion control. New column control super module development. CAN control network applications to high voltage sources. Version control system management and set up. Electronics interface design.

Feb. 1999 – Mar. 2000	<p>Senior Software Design Engineer. \$78,000/year, 40 hrs. Biamp systems, 10074 SW Arctic Drive, Beaverton, OR 97005. Supervisor: Matt Kotvis, (503) 641-7287</p> <p><i>Responsibility and accomplishments:</i> Adaptive filter theory application to echo cancellation. New GUI and data structure design and development of new configuration and real time control software. Existing BiampWin software maintenance and updating.</p>
Mar. 1998 – Feb. 1999	<p>Senior software developer. \$90,000/year + \$10,000 bonus, 40 hrs. ASPEN inc. 34 N. San Mateo Drive, San Mateo, CA 94401. Supervisor: Sherman Chan, (650) 347-3997.</p> <p><i>Responsibility and accomplishments:</i> Modeling and coding of automatic capacitor placement. Modeling and coding of two terminal DC line in power flow. Modeling of feeder optimization. Design and specification of relay data base for the utility companies. Modeling and coding of power system one line diagram snap to GPS. Modeling and coding of transmission line data base includes all the available types. 16 bit window to 32 bit window migrations.</p>
Oct. 1990 – Jan. 1998	<p>Senior electrical analytic engineer. \$75,000/year + \$10,000 bonus, 40 hrs. Electrical system analysis, Inc. PO Box 2110, Clackamas, OR 97015. Supervisor: Chet Davis, (503) 650-5059</p> <p><i>Responsibility and accomplishments:</i> Power flow, short circuit, harmonics and transient stability modeling, simulation and analysis for wide range utility and industrial customers. New sparsity technology development. Member of IEEE/PES stability sub-committee, harmonics working group, software development task force.</p>
	<p>New harmonic simulation algorithm and software development. Power flow program development in MS Windows. Short circuit program development in MS Windows. Harmonic program development in MS Windows. Stability program development in QuickWin.</p>
April 1988 – Oct. 1990	<p>Research associate. \$30,000/year, 40 hrs Howard University, 2300, 6<sup>th</sup> street, NW Washington DC Supervisor: James Momoh, (202)806-6585</p> <p><i>Responsibility and accomplishments:</i></p>
	<p>Optimal power flow methodology development for NSF. Contingency selections methodology development for NSF. Expert system applications on power flow and voltage stability for BPA. Voltage stability project for EPRI. Stability ODE integration algorithm development for BPA. Power and transient stability program in FORTRAN for BPA. Power system curriculum development.</p>

Aug. 1982- Mar. 1988	<p>Power system engineer, 1,200 yuan/year, 40 hrs. Electric Power Research Institute, Beijing, China. Supervisor: Xiaoxin Zhao, Phone number: 8610-6291-3125.</p> <p><i>Responsibility and accomplishments:</i> Lead of transient stability group of adapting BPA's program to China. ODE integration algorithms development. Two and multiple terminal DC line modeling and programming in power flow, transient stability and EMTP. Generator modeling in EMTP. Network planning for The Three Gorges project. Large scale generation unit (125MW/200MW) loss of excitation prevention and testing task force lead, modeling, simulation and on site testing. Hydro units PSS simulation and on site testing. Introducer of mid-term and long-term dynamic simulation tools to China. Modeling, programming and real case simulations. Consulting to province utilities for trouble shooting, planning, controls scheme development. Graduate school large scale system theory and software engineering curricula development and teaching. Software development language teaching in graduate school.</p>
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### Publication List

"The Application of Implicit Numerical Algorithms with Variable Integral Steps to Transient Stability Simulation", Conference of Chinese Society of Electrical Engineers (Conf. CSEE), Nanchang, China, Nov., 1982.

"Report of Simulation and Analysis of Large Generator Loss-excitation and On-site Test for Northwest and East China Power Systems", Vol I, II and III, Technical reports of EPRI, Beijing, China, 1984.

"Several Numerical Integral Algorithms Applied to Power System Simulation", Conf. CSEE, Guilin, China, Oct., 1985.

"An Algorithm for Coherency Recognition Via the Theory of Metric Space", Proceedings of 9th Power System Computation Conferences (PSCC), Cascais, Portugal, 1987.

"An Algorithm for Simulation of Power System States From Transient to Long-term Dynamics Via the Theory of Homotopy", Joint CSEE/IEEE Conferences on High-voltage Transmission Systems, Beijing, China, 1987.

"Power System Topological Space - Manifold and the Mappings on Them", International Conference of Mathematics Application on Power Systems, Sponsored by CSEE and British Royal Mathematical Association, Beijing, China, 1988.

"Simultaneous Fault Analysis Using the Hybrid Method", Proceedings of IASTED International Conferences, Applied Simulation and Modeling, Santa Barbara, CA, Nov., 1989.

"Lower-order Pressurized Water Reactor Modeling", Proceedings of the 10th PSCC, Graz, Austria, August, 1990.

"Basic Property Study of Power System Topological Spaces and the Mappings on Them", IEEE International Symposium of Circuit and Systems, New Orleans, LA, May, 1990.

"Expert System Tools in Power System Analysis", Proceedings of PCIC conference of IEEE/IAS, San Antonio, TX 1992.

"Partial Refactorization with Unrestricted Topology Changes" 94 SM 597-5 PWRS IEEE/PES 1994 summer meetings. San Francisco, CA, July, 1994.

## References:





## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

FEB 21 2001

In reply refer to: KR-7C

The Honorable Gordon Smith  
One World Trade Center  
121 SW Salmon Street, Suite 1250  
Portland, OR 97204

Dear Senator Smith:

This is in response to your letter of February 1, 2001, conveying your constituent concerns about Bonneville Power Administration (BPA) practice of re-hiring BPA retirees under contract.

I appreciate the concern expressed by you. It may appear as if re-hiring annuitants is costing BPA more money than hiring a new replacement for that retiree. However, while relatively unusual (probably less than 10 percent of the time), this practice does occur in circumstances that make good business sense for BPA. Let me explain.

Once an employee reaches a certain age along with the requisite number of years of federal experience, that employee is eligible for optional retirement, fully at their discretion. Sometimes, employees do not provide much advance notice that they intend to retire. That leaves BPA with a difficult choice. BPA can seek to hire a new employee to fill behind. This usually involves an extended period of time to advertise the vacancy, recruit, and interview candidates, leaving a vacancy in the job for several months. Occasionally, BPA must also pay for the relocation of the selected candidate. Usually the new employee also needs time to learn the demands of the job, so productivity usually suffers when compared with the work of the experienced worker who chose to retire. In certain cases, the far better choice may be to hire back the recently retired employee. This is true for certain critical positions where project work cannot be delayed, or occasionally in circumstances where qualified replacement personnel are extremely difficult to find. The retiree can finish work on a project or perform the work while efforts can be expended to hire and train the replacement.

Again, this is a relatively unusual circumstance where we find it necessary to do this. More commonly, we are able to redeploy a worker from another part of our agency to take over the work of the retiree or reprioritize work to allow an extended vacancy to occur while the recruitment and selection process takes place.

For the most part, federal retirees are not prohibited from working for a federal contractor, or as an individual service provider, immediately after they retire from the government. And because

some BPA retirees have highly specialized knowledge and skills and are familiar with BPA systems and processes, contractors are very interested in hiring them. Thus, while it is not a "routine practice," BPA does on occasion use contractors who employ BPA retirees.

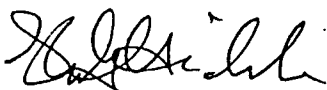
Not all types of BPA work can be assigned to a contractor. Our Bonneville Purchasing Instructions preclude contractors from doing work for BPA that is considered "inherently governmental." This includes work such as establishing BPA's policies. In addition, under the Standards of Ethical Conduct, all federal employees are subject to certain restrictions when they leave federal service. For your reference, I am enclosing material from the annual ethics training that BPA employees are required to attend that addresses these post employment restrictions.


A former BPA employee may also collect a federal pension at the same time that the former employee earns salary from a company doing business with BPA. The former employee may or may not be making a similar wage with the contractor as they were with the Federal Government. Our purchasing staff review all proposed contract billing rates and contractor costs to ensure that BPA does not pay excessively for the services rendered. The contractor billing rates are generally in line with what a private sector company might pay for same services.

Finally, BPA is fully aware and concerned about how our personnel and purchasing practices affect our financial condition. As \_\_\_\_\_ notes, BPA is facing a significant rate increase in the upcoming rate period. However, our personnel costs have very little to do with this rate increase. Before last summer's dramatic escalation in the price of wholesale power on the west coast, in fact, BPA was proposing low and stable rates for the 2002-06 rate period. This proposal took into account projected staffing levels and existing personnel practices—including the practice of using former BPA employees returning as BPA contractors.

I trust this is responsive to your request. If you have any further questions, please have your staff contact our manager of corporate purchasing, Ken Berglund, at (503) 230-5498.

Sincerely,



 Stephen J. Wright  
Acting Administrator and  
Chief Executive Officer

Enclosure

cc:  
The Honorable Gordon Smith  
United States Senate  
Washington, DC 20510

# United States Senate

WASHINGTON, DC 20510-3704

February 1, 2001

Mr. Steve Wright  
Acting Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2007.0046
RECEIPT DATE: 2.2.01
DUE DATE: 2.16.01

ASSIGN: KR-7C

cc: A-7, D-7, KN/Wash, C-4, L-7, P-6, T/Ditt2,  
Linda Dinan-D-7 PAT/BART

Dear Mr. Wright:

Please find enclosed a copy of a letter I recently received from regarding her concerns about BPA employees retiring and then returning on contract. In an effort to provide my constituent with the information requested, I would be grateful for your thorough review of this situation and appreciate any information you could provide regarding this matter.

After you have completed your review, please send your findings and comments to my Portland office at One World Trade Center, 121 S.W. Salmon Street, Suite 1250, Portland, Oregon 97204.

Thank you in advance for your prompt attention to this matter.

Sincerely,



Gordon H. Smith  
United States Senator

GHS:mh  
Enclosure

MH BDX

Sen. Gordon Smith

---

From: nobody@w1.senate.gov  
Sent: Friday, January 26, 2001 12:00 AM  
To: Sen. Gordon Smith  
Subject: www\_email

ENG

Dear Senator Gordon Smith:

I am writing this letter regarding a concern that I have.

Last summer I was speaking with a woman that was an employee of the Bonneville Power Administration and she told me the following story.

She observed that an employee was going to "retire". On his last day of work he didn't clean out his desk, and no one was assigned to his desk, or given his duties. Two weeks later, the same man comes back to work, not as a BPA employee, but as a contractor, making the same wage as before, as well as collecting his pension.

About 6 weeks later I spoke with another person at a function who happened to be a BPA employee too. When I relayed the above story to this person, I was told that, yes, it did happen, and not with just one person. That it was a routine practice at BPA. If this is true, I am very upset. When the BPA states that they are on the verge of financial problems and would have to raise electrical rates by 50% by this fall I decided to write to you. If this practice of retiring and returning to work as a contractor is true, it should be stopped! I don't mind that the person gets a private sector job, but not a government job for the same wage as before he retired.

Please let me know what you find out about this practice.

---

Sincerely,



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

March 22, 2001

In reply refer to: KR-7C

The Honorable Patty Murray  
ATTN: Ed O'Neill  
2988 Jackson Federal Building  
915 2<sup>nd</sup> Avenue  
Seattle, WA 98174-1003

Dear Senator Murray:

This letter is in response to your request dated February 26, 2001, regarding concerns raised by your constituent, \_\_\_\_\_ requested assistance in clarifying a determination of "doesn't meet minimum qualifications" for the position of Facilities Maintenance Worker, BB-4749, announcement #000076-01-DE.

\_\_\_\_\_ did not meet minimum qualifications because Bonneville Power Administration (BPA) did not receive the supplemental questionnaire with his application. To determine minimum qualification for specific trade/craft positions, BPA developed a rating guide and supplemental questionnaire. The rating guide sets the minimum qualification requirements for evaluating applicants, and establishes benchmarks for quality of experience. The supplemental questionnaire identifies specific tasks required to perform the duties of the position. Applicants are requested to complete the questionnaire and assess the skill levels that indicate how well they are able to perform the duties of the position. The experience indicated by applicants on the supplemental application form is compared to the benchmarks established to meet minimum qualifications.

The vacancy announcement for Facilities Maintenance Worker advised applicants that along with a resume or application, they should submit the supplemental questionnaire attached to the vacancy announcement. While submission of the supplement is not an absolute requirement, failure to do so may result in not receiving full credit. Unfortunately, the information submitted by \_\_\_\_\_ was insufficient to determine if his experience met the minimum qualification requirements of the position. \_\_\_\_\_' employment in a similarly titled position does not confirm his qualifications.

PATTY MURRAY  
WASHINGTON

United States Senate  
WASHINGTON, DC 20510-4704

COMMITTEES:  
APPROPRIATIONS  
BUDGET  
HEALTH, EDUCATION, LABOR  
AND PENSIONS  
VETERANS' AFFAIRS

February 26, 2001

Mr. Steve Wright  
Vice President - AN  
U.S. Department of Energy Bonneville Power Administration  
1000 Independence Ave. S.W.  
Room 8G-061  
Washington, D.C. 20585

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 2001-0103
RECEIPT DATE: 3.2.01
DUE DATE: 3.16.01

Dear Mr. Wright:

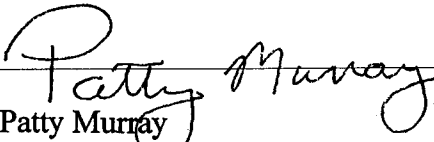
ASSIGN: ~~KN-7C~~  
cc: A-7, D-7, KN/Wash, C-4, CH-1  
Bart/Pat

Enclosed are copies of correspondence I received from , regarding the difficulties he  
has been experiencing with Bonneville Power Administration.

I would appreciate your looking into this matter and reporting your findings to the attention of Ed  
O'Neill in my Seattle office.

Thank you for your time and consideration regarding this matter.

Sincerely,

  
Patty Murray  
United States Senator

PM\eo

2930 WETMORE AVENUE  
SUITE 903  
EVERETT, WA 98201-4107  
(425) 259-6515

2988 JACKSON FEDERAL BUILDING  
915 2ND AVENUE  
SEATTLE, WA 98174-1003  
(206) 553-5545

601 WEST MAIN  
SUITE 1213  
SPOKANE, WA 99201-0613  
(509) 624-9515

140 FEDERAL BUILDING  
500 W. 12TH STREET  
VANCOUVER, WA 98660-2871  
(360) 696-7797

402 E. YAKIMA AVENUE  
SUITE 390  
YAKIMA, WA 98901-2760  
(509) 453-7462

**From:**

**To: The Honorable Senator Patty Murray**

**Dear Senator Murray,**

**Request your assistance in obtaining some answers to a recent employment application I submitted to Bonneville Power Administration whom I applied for a position as a Facilities Maintenance Worker. I received a rating does not "meet minimum qualifications". I am currently a Facilities Maintenance Worker, WG-4749-07 for the Army.**

**I applied for the position BB4749, due to the possibility that my position will be eliminated in October, or FY 2002. Rather than wait, I have been searching the OPM website and applied for this job via internet and fax. I would like to compliment the Bonneville Human Resources Staff for their outstanding dedication in assisting me with the application process. They were very professional in assisting me with my required 30 percent disability Veteran paperwork as well as my resume. Whatever didn't transmit via zip file over the internet, they had me fax the material. They were not required to do this. But they went above and beyond in their efforts to help me, and I greatly appreciate that. The only form I could not send was the BB4749 supplemental form. Went to BPA website to download and it was not available. So I wrote a short overall summary of my Knowledge Skills, and Abilities.**

**Overall, I realize that the requirements at BPA are different than where I work now. And maybe there is some specific reason as to why I am not qualified for the job. But to receive a "doesn't meet minimum qualifications" rating, when I have been working in the same OPM job series 4749 as a Facilities Maintenance Worker for five years with favorable performance ratings I feel is above "minimum qualifications" level.**

**Any assistance you can render in clarifying this matter would be greatly appreciated.**

**My Social Security number is 532-62-3128 and you have permission to use this for your purpose.**

---

**Sincerely,**



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

July 5, 2001

In reply refer to: KR-7C

The Honorable Brian Baird  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Baird:

This is written in response to your inquiry on behalf of:

applied for and was referred for employment consideration for permanent Carpenter positions on April 6, 2001. The certificate of eligibles was issued to fill two vacancies. Prior to making selections, management submitted a request to fill a third vacancy from the certificate.

The top four candidates referred were all veterans. was referred at the top of the certificate; his score was adjusted by 10 points based on his preference as a compensable veteran. His compensable veteran's preference entitled him to be placed at the top of the register for referral. Another compensable veteran was listed immediately below on the certificate. This veteran's score was also adjusted by 10 points, and he was also entitled to placement at the top of the register for referral. His name was listed below as his adjusted score was lower than score.

The third and fourth applicants referred for consideration were both veteran preference eligibles; however, they were not compensable veterans. Their scores were adjusted by 5 points. Although both of them received higher scores than and the other compensable veteran, they were not entitled to placement on the certificate above and the other veteran because they were not compensable veterans.

The selecting official selected the three veterans listed below to fill his jobs. Section 8.12.E of the Delegated Examining Operations Handbook (A Guide for Federal Agency Examining Units) published by the Office of Personnel Management permits the selection of a lower standing preference eligible even if the selectee has a lesser category of preference. The example used is that a 5-point veteran may be selected instead of a higher-ranking compensable veteran as long as selection occurs within the Rule of Three. Section 8.12.C of the Handbook further states that an eligible who has been with reach for selection three times in accordance with the Rule of Three and who has been nonselected three times when other eligibles were selected instead may be eliminated from further consideration. If Bonneville Power Administration fills additional Carpenter vacancies, is entitled to no further



consideration for such vacancies, unless he recompetes in the Carpenter examination and obtains a higher rating.

also expresses concern about his numerical rating. Subject matter experts in the carpentry occupation rated the applicants who applied for the Carpenter announcement.

score is based on the subject matter experts' assessment of his experience as described in his application. A higher score would not have provided with a higher level of preference or consideration for Carpenter jobs.

A review of the delegated examining file for Carpenter shows that received the preference and the consideration to which he is entitled in accordance with the Code of Federal Regulations and the Delegated Examining Operations Handbook. is not, however, entitled to receive a job offer on the basis of his veteran's preference.

We appreciate the opportunity to provide with an explanation of veteran's preference in the Federal hiring process, and we appreciate his interest in employment with Bonneville Power Administration.

Sincerely,



Stephen J. Wright  
Acting Administrator and  
Chief Executive Officer

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COMMITTEE ON TRANSPORTATION  
AND INFRASTRUCTURE

WATER RESOURCES AND  
ENVIRONMENT SUBCOMMITTEE

COAST GUARD AND MARITIME  
SUBCOMMITTEE

SMALL BUSINESS COMMITTEE

SCIENCE COMMITTEE

**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515-4703

DISTRICT OFFICES

1220 MAIN STREET  
SUITE 300  
VANCOUVER, WA 98660  
(206) 899-6262

806 COLUMBIA STREET NW  
SUITE 220  
OLYMPIA, WA 98501  
(360) 351-9768

WASHINGTON, DC OFFICE:

1721 LONGWORTH HOB  
WASHINGTON, DC 20515  
(202) 225-3534

June 8, 2001

Ms. Charlene Luskey  
Office of Personnel Management  
Congressional Liaison Office  
B-332 Rayburn House Office Bldg.  
Washington, D.C. 20515

Re:  
ID:

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 01.0328
RECEIPT DATE: 6.27.01
DUE DATE: 7.11.01

web address: <http://www.house.gov/baird>  
e-mail address: [brian.baird@mail.house.gov](mailto:brian.baird@mail.house.gov)

ASSIGN: KR-7C

cc: A-7, D-7, KN/Wash, C-4, CH-1,  
CHM-1 (SCustard), CHM-PSB-2

(KDerry)

Dear Ms. Luskey:

I am writing you regarding my constituent, \_\_\_\_\_, who has requested my assistance with his application for a permanent position at the Bonneville Power Administration (BPA).

According to \_\_\_\_\_, he applied for a permanent carpenter position in March of this year, and believes his application has been unfairly passed over. He has worked in this position as contract help and as a temporary carpenter since 1994. In 1996 he was given a 97 rating. \_\_\_\_\_ believes by adding his 10 point veterans preference rating to the 97 rating he should be well over 100 rating. Ervien was told by BPA that he was rated "best qualified" and was number one on the list. However, he was never offered an interview.

I am very concerned about this issue and would appreciate any information or assistance that you can provide. Please direct your response to Cindy Gipson in my Vancouver district office.

Thank you for your prompt attention to this matter.

Sincerely,

Brian Baird  
Member of Congress

BB:cg

RECEIVED  
CONGRESSIONAL LIAISON  
JUN 15 4 45 PM '01



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

May 16, 2001

In reply refer to: KR-7C

The Honorable Patty Murray  
United States Senate  
Washington, DC 20510

Dear Senator Murray:

This is in response to your letter of April 27, 2001, inquiring on behalf of your constituent, [redacted] wrote to you about a specific incident involving Bonneville Power Administration (BPA) hiring practices.

[redacted] applied for and was referred for employment consideration for permanent Carpenter positions on April 6, 2001. The certificate of eligibles was issued to fill two vacancies. Prior to making selections, management submitted a request to fill a third vacancy from the certificate.

The top four candidates referred were all veterans. [redacted] was referred at the top of the certificate; his score was adjusted by 10 points based on his preference as a compensable veteran. His compensable veteran's preference entitled him to be placed at the top of the register for referral. Another compensable veteran was listed immediately below [redacted] on the certificate. This veteran's score was also adjusted by 10 points, but he was listed below [redacted] as his adjusted score was lower than [redacted] score.

The third and fourth applicants referred for consideration were both veteran preference eligibles; however, they were not compensable veterans. Their scores were adjusted by 5 points. Although both of them received higher scores than [redacted] and the other compensable veteran, they were not entitled to placement on the certificate above [redacted] and the other veteran because they were not compensable veterans.

The selecting official selected the three veterans listed below [redacted] to fill his jobs. Section 8.12.E of the Delegated Examining Operations Handbook (A Guide for Federal Agency Examining Units) published by the Office of Personnel Management permits the selection of a lower standing preference eligible even if the selectee has a lesser category of preference. The example used is that a 5-point veteran may be selected instead of a higher-ranking compensable veteran as long as selection occurs within the Rule of Three. This rule, as described in Section 8.12.C of the Handbook, states that an eligible who has been within reach for selection and nonselected three times when other eligibles were selected instead may be eliminated from further consideration. Since this is [redacted] situation, if BPA fills additional Carpenter

vacancies, \_\_\_\_\_ is entitled to no further consideration for such vacancies, unless he recompetes in the Carpenter examination and obtains a higher rating.

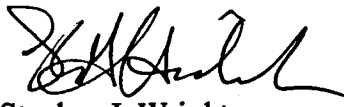
\_\_\_\_\_ also expresses concern about his numerical rating. Subject matter experts in the carpentry occupation rated the applicants who applied for the Carpenter announcement.

\_\_\_\_\_ score is based on the subject matter experts' assessment of his experience as described in his application. A higher score would not have provided \_\_\_\_\_ with a higher level of preference or consideration for Carpenter jobs.

A review of the delegated examining file for Carpenter shows that \_\_\_\_\_ received the preference and the consideration to which he is entitled in accordance with the Code of Federal Regulations and the Delegated Examining Operations Handbook. \_\_\_\_\_ is not, however, entitled to receive a job offer on the basis of his veteran's preference.

We appreciate the opportunity to provide \_\_\_\_\_ with an explanation of veteran's preference in the Federal hiring process, and we appreciate his interest in employment with Bonneville Power Administration.

Sincerely,

  
for Stephen J. Wright  
Acting Administrator  
and Chief Executive Officer

---

---

PATTY MURRAY  
WASHINGTON

# United States Senate

WASHINGTON, DC 20510-4704

COMMITTEES:  
APPROPRIATIONS  
BUDGET  
LABOR AND HUMAN RESOURCES  
SELECT COMMITTEE ON ETHICS  
VETERANS' AFFAIRS

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 01-0189
RECEIPT DATE: 4-30-01
DUE DATE: 5-14-01

April 27, 2001

Mr. Steve Wright  
Administrator  
U.S. Department of Energy Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208

ASSIGN: KR-7C  
cc: A-7, D-7, KN/Wash

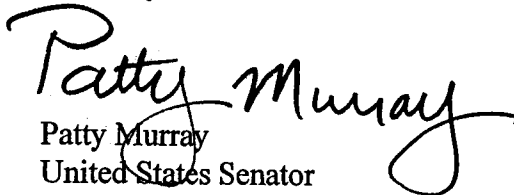
Dear Mr. Wright:

Please find enclosed a copy of correspondence sent to my Vancouver District office by  
is concerned because of difficulties he is having with the Bonneville  
Power Administration.

I would greatly appreciate any appropriate attention you can give to this matter. If you  
need any further information, please contact Lisa Deitz in my Vancouver District office at (360)  
696-7797.

Thank you for your time and consideration.

Sincerely,

  
Patty Murray  
United States Senator

PM/lmd

2930 WETMORE AVENUE  
SUITE 903  
EVERETT, WA 98201  
(206) 259-6515

2988 JACKSON FEDERAL BUILDING  
915 2ND AVENUE  
SEATTLE, WA 98174  
(206) 553-5545

W. 601 1ST AVENUE  
SUITE 506  
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(509) 624-9515

140 FEDERAL BUILDING  
500 W. 12TH STREET  
VANCOUVER, WA 98660  
(360) 696-7797

402 E. YAKIMA AVENUE  
SUITE 390  
YAKIMA, WA 98901  
(509) 453-7462

# United States Senate

WASHINGTON, DC 20510-4704

The Privacy Act of 1974 is a Federal law designed to protect you from unauthorized use and exchange of personnel information by Federal agencies. Any information that a Federal Agency has on file regarding your dealings with the United States government may not, with a few exceptions, be given to another agency or to a Senator or Member of Congress without your written permission.

PLEASE DESCRIBE THE SITUATION WITH WHICH YOU ARE REQUESTING ASSISTANCE:

see attached letter →

I Hereby request the assistance of the Office of U.S. Senator Patty Murray in resolving the matter described above and authorize Senator Murray in resolving the matter above and authorize Senator Murray and her staff to receive any information which they might need in order to provide this assistance.

DATE: 4/27/01

Signed: \_\_\_\_\_

Name: (please print) \_\_\_\_\_

Address: \_\_\_\_\_

State: \_\_\_\_\_

Zip: \_\_\_\_\_

Telephone: (days) \_\_\_\_\_

Other: \_\_\_\_\_

Social Security: \_\_\_\_\_

an Identification \_\_\_\_\_

Other Claim number: (please specify agency) \_\_\_\_\_

2930 WETMORE AVENUE  
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VANCOUVER, WA 98660  
(360) 696-7797

402 E. YAKIMA AVENUE  
SUITE 390  
YAKIMA, WA 98901  
(509) 453-7462

April 27, 2001

Dear sir

I feel I that I am being discriminated against and being side stepped in the hiring practices at BPA Bonneville Power Administration which is a U S government agency. They opened the carpenter permanent last month which I applied. I am a 10 point vietnam veteran . I have worked this very same job since 1994 as contract help and as a temporary carpenter which at that time in 1996 I was rated with a 97 rating and had worked with them for 2 years before actually doing the job so they knew I was good at it. I have a signed form that rated me successful after the temporary position was over. I have the 97 rating form also. After working as the contract foreman for 2 years after the temp position plus a regular carpenter since then with them, I feel I should be at least 97 plus now and actually over a 100 with my 10 point preference which was submitted correctly. I have heard nothing on any of this from BPA. I was called by several BPA workers asking if I have had my interview yet and that one veteran was being interviewed today april 25. I feel and so do some of the BPA workers also feel they are totally side stepping me. This was verified when one of the BPA workers that I worked called me to let me know yesterday april 24. I have been working there since 1994 and when they they open the job like now to the public they term it making a job for xxxxxx. I was actually told by a BPA worker -- this is a Quote ( 2 veterans are on top clogging the list.) They open the list with the intent of getting certain people they have picked put into those positions. Usually it is like now someone who has family in the BPA system or drinking buddy. The 2 they have in mind now are not 10 point veterans or any veteran preference. If you check most of the people hired are right from under their noses for some strange reason.

What I would like is to here what is going on before it is too late and they just ignore and side step me to put on their hand picked contract help to put them into this BPA permanent government job. From what I was told on the side from a BPA carpenter is that I am at the top of the list which I figured that I would and should be but they are side stepping me. I am a 10 pt veteran and have done this job since 1994 only not as a permanent and have done it well. I can have several BPA workers from foreman on down tell you that I am a good carpenter and good worker and that I deserve this job since I am at the top of the list. It was a BPA carpenter that told me that the job was coming open and to apply for it which several of the contract help hand did also. I just want it to be fair. IF I am on top and they are taking 3, I feel I should be considered and have the job. This is a government agency and being a 10 pt veteran I always hear of my rights but it sure seems like no one is there to make sure these agencies go according to the rules. Please help. It closed 3/28/01

ann # 000233-01-DE Carpenter BB4607

Bob fliechman ( man in charge over construction in choosing carpenters)  
Bonneville Power Admin.

Ross complex  
5411 NE Highway  
Vancouver wa.

Member DISABLED AMERICAN VETERANS  
# 46004L066781

VIETNAM VETERANS OF AMERICA

#215792 IND WA0512

THANK YOU



## Department of Energy

Official File

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

AUG 31 2001

In reply refer to: KR-7C

The Honorable Ron Wyden  
United States Senate  
Washington, DC 20510

Dear Senator Wyden:

This is in response to your letter of July 27 requesting that Bonneville Power Administration (BPA) investigate a complaint from your constituents, believe that their personal health, the health and production problems they have had with their dairy cows, and electrical shocks they and their cows have received are due to "stray voltage" from a nearby BPA substation.

Your letter identifies four distinct issues that we will address. These issues are stray voltage, electrostatic induction, livestock death, and electric field health risks.

Between February and July 2000, BPA conducted extensive tests and measurements on the property in Elk River Valley. The test results were negative. We did not find that BPA equipment, transmission lines, or structures were inducing stray voltages onto the property.

To clarify, stray voltage does not leak from a substation. It is common and normal that some of the local distribution utility's line current returns in the earth back to the substation through ground electrodes connected to the utility's system neutral. This can cause low (less than ten volts) 'neutral-to-earth' voltage differences (referred to as *stray voltage*) between the soil and metallic objects connected to the utility neutral. Since electricity takes the path of least resistance, an animal or human body would only know of, or 'feel' this voltage difference if that body is a better ground than the ground (earth) itself.

The 40-to-50 volt measurements taken in the dry cow fields between their vehicle and earth is not due to stray voltage, but is a different electrical phenomenon referred to as *electrostatic induction*, normally expected under transmission lines. As we understand that item O.1. in the list occurred under a transmission line, electrostatic induction is most likely implicated.

Electrostatic induction is caused when a metallic object (such as a vehicle or an irrigation pipe) is located within an electric field (such as the electric field created by the overhead transmission



line). Since a vehicle is insulated from the ground by rubber tires, a human, animal, or any other conductive substance will physically create the path to ground when simultaneously contacting the vehicle and the ground (earth). This would feel much like a shock from rubbing one's feet on carpet then touching a doorknob. Although we would not normally expect shock conditions on the \_\_\_\_\_ property, it is possible with large trucks or trailers full of pipe. A very simple shock prevention tool the \_\_\_\_\_ may consider for their farm vehicles and irrigation pipe trailers are a metallic grounding tape that connects to the body of the vehicle and/or pipe and hangs to the earth. These are quite common and can be found at most automotive stores.

In regard to the *livestock deaths*, BPA is aware of only one incident in January 1999. A cow was found dead next to a BPA transmission line structure. Investigation revealed that a down lead, a wire used for grounding the metallic components on transmission line structures, had been severed. The cow could have come into contact with this down lead. BPA has fixed the severed down lead, and installed shields on all of the BPA transmission line structures to physically prevent any future livestock contact. The \_\_\_\_\_ were paid \$1,000 for the loss of the cow.

In the \_\_\_\_\_ June 29, 2001, letter, they attribute personal health problems and dairy cow health and production problems to stray voltage. BPA is not aware of any studies that suggest this. Over the last 20 years, many scientific studies on *electric field health risks* have been evaluated and continue today. Electric fields are not only present in the direct vicinity of transmission facilities, but also to varying degrees with computer screens, electric blankets, and other electrical devices. Since the electric fields rapidly decrease with distance, human exposure to electric fields are actually much higher in everyday household electrical devices, such as televisions and computers, than underneath most transmission lines. Although there is some scientific uncertainty, no adverse health effects have been confirmed.

You ask what can be done to alleviate the \_\_\_\_\_ problems. The most important thing for them to do is to inspect and upgrade the wiring on their property. When people or animals receive electric shocks as the \_\_\_\_\_ letter describes, the likely origin of the problem is household and farm wiring. A recent paper titled "*Stray Voltage Update 97*," presented at the 1997 Rural Electric Power Conference, identified that the major source of stray voltage on farms in this country are due to the neutral voltage drop within the farm's wiring system, caused by the farms own loads and wiring methods. According to the literature, solutions typically involve repairing the dairy electrical wiring and/or upgrading its grounding scheme using equipotential planes within the dairy facility (National Electric Code, NEC Article 547).

Some of the incidents specified in the \_\_\_\_\_ letter, or observed by BPA employees, illustrate the need to inspect and upgrade their wiring. In one case that BPA investigated, the \_\_\_\_\_ had a failing irrigation pump in which the pump casing had been bonded to ground. The pump was supplied by a three-phase ungrounded system; there was no grounded neutral supplying the pump. Because this setup was injecting ground current, it was likely the voltage source that has caused some of the shock incidents. In another case, a farm worker received a shock while repairing a metallic roof that had not been grounded. In addition, BPA workers noted that the \_\_\_\_\_

electric fence conductor was attached to a roof rafter near the metallic roof. During wet conditions, there likely was some leakage current from the electric fence circuit.

Literature suggests that other solutions to stray voltage problems are for the local distribution to improve customer load balance on the three-phase network, make improvements to the neutral connections or grounding, and possibly isolate the farm's neutral system from the utility's. As we understand, the local distribution utility, Coos Curry Electric Coop, has diligently been addressing all of these issues with the

I am very sorry that the \_\_\_\_\_ are experiencing the problems they are having with their dairy cow farm, but after a thorough investigation, we do not believe that BPA's transmission facilities are causing them. If there is anything else we can do to be responsive to your request, please let me know.

Sincerely,

(Sgd.) Stephen J. Wright

Stephen J. Wright  
Acting Administrator and  
Chief Executive Officer

bcc:

Adm. Chron. File – A  
ECC – D-7 (01-0407)  
BPA – KN/WASH (2)  
K. Hunt – KR-7

A. Morrow – KR-7C  
R. Roach – L-7  
M. Maher – T/Ditt2  
F. Johnson – TF/DOB1  
Official File – KR (EX-15-12-2)

PZimmer:sw:3502:8/23/2001 (EXCHANGE 02-KR-7C-W:\RegRel\CONGRESSLETTERS\01\Wyden\01-0407let.doc)

RON WYDEN  
OREGON

516 Hart Senate Building  
Washington, DC  
20510-3703  
(202) 224-5244

web site:  
<http://wyden.senate.gov/>

# United States Senate

WASHINGTON, DC 20510-3703

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 01-0407
RECEIPT DATE: 8.3.01
DUE DATE: 8.17.01

July 27, 2001

Stephen J. Wright  
Acting Administrator  
Bonneville Power Administration  
905 NE 11th Avenue  
Portland, OR 97232

ASSIGN: KR-7C  
cc: A-7, D-7, KN/Wash, AMorrow-KR-7C,  
JCowger-TR-3 PAT/BART

**Committees:**

Budget  
Commerce, Science  
& Transportation  
Energy & Natural Resources  
Environment & Public Works  
Select Committee on  
Intelligence  
Special Committee on Aging

**Oregon State Offices:**

700 NE Multnomah St  
Suite 450  
Portland, OR 97232  
(503) 326-7525

151 West 7th Ave  
Suite 435  
Eugene, OR 97401  
(541) 431-0229

Sac Annex Building  
105 Fir St  
Suite 201

La Grande, OR 97850  
(541) 962-7691

U.S. Courthouse  
310 West 6th St  
Room 118  
Medford, OR 97501  
(541) 858-5122

The Jamison Building  
131 NW Hawthorne Ave  
Suite 107  
Bend, OR 97701  
(541) 330-9142

707-13th St, SE  
Suite 285  
Salem, OR 97301  
(503) 589-4555

Dear Mr. Wright:

I am writing on behalf of \_\_\_\_\_ regarding their problem with  
stray voltage on their property in Elk River Valley, near Port Orford, Oregon.

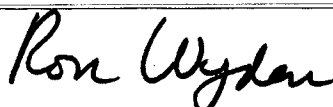
\_\_\_\_\_ operate a dairy farm near a Bonneville power station in the  
Elk River Valley. According to the \_\_\_\_\_, during the past 20 years, they have  
experienced numerous health and production problems with their dairy cows. The  
\_\_\_\_\_ have also provided me with a list of incidents during which employees and  
animals on their property were shocked by ordinary household objects. The  
\_\_\_\_\_ feel that these incidents are related to stray voltage from the power station leaking  
onto their property.

For your information, I am enclosing a copy of the letter and supporting documents  
sent to my office that provide further explanation. Please examine this case and  
afford \_\_\_\_\_ every consideration possible, consistent with your  
established policies and procedures. In addressing \_\_\_\_\_ concerns,  
I would like to know what can be done to alleviate the problem of stray voltage on  
the \_\_\_\_\_ property.

I would also greatly appreciate it if you would be kind enough to inform Ann Boylan  
in my Portland office of your findings.

Thank you for your attention to this matter.

Sincerely,



RON WYDEN  
United States Senator

RW/anb

# ELK River Dairy

TO: United States Senator Ron Wyden  
Washington, DC

Dear: Honorable Senator Wyden

The time has come to call your attention to a very serious problem of environmental electrical pollution that exists in the Elk River valley, Southern Oregon coast, near Port Orford, Oregon.

Nearly all of the residents of the Elk River valley if you were to ask them assume they live in one of the cleanest air and healthiest environments in the western United States. The opposite exists for those of us living near the Bonneville Power Station in the Elk River Valley.

The residents and agricultural livestock within the  $\frac{1}{4}$  to  $\frac{1}{2}$  mile range of this substation are experiencing far too much ground currents, high neutral voltage, and just plain "dirty power". Dirty electricity is the term used in the industry where stray voltage exists.

Those of us in the Dairy Industry know what stray voltage does to our dairy cattle. Nation wide now the dairy cow is to communities what the canary was to the coal miners. It is and has been known about in the Dairy states of Wisconsin, Michigan, and Minnesota and now it is coming to be of knowledge here in this sparsely populated, seemingly environmental friendly community of Elk River.

We have 1930's technology carrying electricity to us for use. It's far past time that power transmission systems improve themselves where stray voltage is identified to exist. This silent, invisible so-called safe energy is killing dairy cattle nation wide and here in the Elk River valley. This silent, so-called safe energy is sickening people slowly compromising their immune system and causing many premature illnesses.

We personally and our dairy cattle have been nearly destroyed by this so-called safe energy. We have lost three prime dairy cows from electrocution by power line structures over the last few years. I personally have had life threatening kidney cancer at a far too early age from exposure to stray voltage in my work area. On any given warm clear day during the week I can show you 40 to 50 plus volts in our dry cow field in the earth to vehicle contact not connected to any electrical wires. Its time those responsible solve this dirty power problem in the Elk River Valley. Yes there are

solutions available. I spoke to an electrical expert recently and he elaborated on how they solved a stray voltage problem in an exclusive neighborhood with swimming pools at each home. It seems the people were getting shocked when stepping out of their pools. The electric supplier solved the problem there. The people and livestock are being sickened near the BPA substation at Elk River. Its time to do further problem solving by all the power suppliers.

Sincerely:

(1)

## Elk River Dairy Stray Voltage Events

- A. Approximately 1951 Bonneville Power put the first power line through our dairy.
- B. Coos Curry Electric installed a switching station on a small purchased lot from our farm.
- C. In 1970 BPA installed a new 230,000-volt transmission line through our farm making two sets of high voltage lines running through our farm.
- D. In 1980 problems started showing up in our dairy herd health and we did not suspect stray voltage, or electric power quality problems early on. Elk River Dairy had prior constructed on 4-stall side opener milking parlor to streamline milking efficiency on their farm.
- E. In 1980 voltage was found at cow contact in the Elk River Dairy Milking parlor.
- F. In 1980 Coos Curry Electric then recognized the problem and they installed the ring of life around the milking parlor.
- G. The owner/operators assumed the ring of life (equal potential plane would take care of stray voltage problems from stray voltage at cow contact.
- H. Elk River Dairy was plagued with high somatic cell problems and the owner/operators assumed it was herd health related nor suspecting voltage problems as Coos Curry Electric had addressed the problem in 1980 with grounding system.
- I. Elk River Dairy tried many techniques including dry treating practically all cows going out to their rest period before calving in attempt to stop mastitis/somatic cell problems. In spite of years of hard work trying to stop peaks in somatic cell trouble the owners of the dairy experienced high somatic cell spike through out each milking year. Elk River dairy then resorted to vaccinating for staph several years ago with little herd improvement/somatic cell count.
- J. On Feb 14,2000 a major discovery happened at Elk River Dairy at cow contact in the milking parlor.
- ~~K. The owners had exhausted all paths of herd health techniques. This was a major discovery as stray voltage will totally ruin and dairy operation if not found.~~
- L. Coos Curry Electric came on the A.M. of the 15<sup>th</sup> of Feb 2000 and found neutral voltage. Coos Curry Electric unhooked their neutral wire from Elk River Dairy. Elk River Dairy then ran with no neutral wire, two hot wires, and depending on their own ground rods for protection.

(2)

6/29/2001 Elk River Dairy

- M. Some Two to Three weeks later Coos Curry Electric installed a neutral isolator to their transformer that serves Elk River Dairy.
- N. Elk River Dairy Owners have monitored the voltage very closely ever sense the Feb 14, 2000 discovery with voltage meters and video camcorder equipment.
- O. The following threatening trouble with voltage has occurred sine discovery.
1. Employee was nearly knocked down with voltage lifting an irrigation pipe onto a pipe trailer.
  2. A three-year-old cow was electrocuted in the field by a power pole down ground.
  3. Numerous cows have stillborn perfect-formed calves.
  4. A guy wire while doing routine fence maintenance on their farm seriously shocked early June 2001 operators.
  5. A major stray voltage source was discovered recently on Elk River Dairy that is a telephone guy wire picking up stray voltage. Elk River Dairy Has measured high milliamps on this wire way above national electric code safety standards,. The phone company refuses to fix this dangerous problem that is deadly voltage to humans or livestock.
  6. Elk River Dairy observed a fresh cow being shocked standing in the middle of a field and video taped the event, plus measured the voltage in the ground at this point. The cow is now known as the "voltage cow". This happened early this year 2001.
  7. Elk River Dairy has on videotape 15-volt readings on the neutral wire.
  8. Elk River Dairy employee Peter Amodt discovered many paths of ground current on the farm early this year.(2001)
  9. Elk River Dairy owners have stray voltage in their house 5 to 6 volts with .8 to 1 volt in their bathtub.
  10. ~~Elk River Dairy discovered 57 volts in their dry cow field early this year.~~  
(With no wire around)
  11. Elk River Dairy had and measured by Jim Arntz Coos Curry Electric General Manager 1.3 amps into the ground near their milking parlor and shocking a new fresh cow. This was a guy wire with 1.3 amps on it which is deadly voltage.
  12. There are many more incidents too numerous to mention at this time. The fact is Bonneville Power's substation/Coos Curry Electric neutral system will destroy our farm if this is not corrected. We have been in business here since 1915.

---

In conclusion on why are we bringing this to your Attention Senator Wyden

The Bonneville Power Administration has concluded they have done all they can and are not contributing to our voltage problem.

---

(3)

We the owner/operators of Elk River dairy know that something is major contributing to stray voltage on our Elk River Dairy Farm. It is continuously stressing our cattle's immune systems, plaguing us with stillborns, high somatic cell problems, serious breeding problems with cows being bred many times and not becoming pregnant. Also and much more important this stray voltage problem that exists around this substation is compromising all human health nearby. Many homes nearby by have high neutral voltage feeding into their switch panels and going throughout their homes. We say yes there is a solution and get the problem fixed. We are just as important as the people with the swimming pools who had their serious problem fixed that was being created by the electric supplier. The BPA should either fix this serous problem at Elk River or Buy out the properties affected.

Elk River Dairy





## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

October 11, 2001

In reply refer to: KR-7C

The Honorable Jim McDermott  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative McDermott:

Thank you for forwarding the e-mail from your constituent, [redacted], concerning Bonneville Power Administration's (BPA) power sales to Northwest aluminum companies. As you requested, following is some information that you can forward to her that I hope will be helpful.

BPA power supply to the region's smelters is temporarily curtailed. All the region's aluminum smelters are free to buy power from the market to operate, where electricity prices have fallen to roughly the level of BPA's rate to aluminum smelters. Low aluminum prices are now constraining the operation of the region's smelters.

In the next two years, market electricity prices and aluminum prices may be in the range where the region's aluminum industry is able to operate profitably again.

As [redacted] notes, BPA is required by law to serve public utility loads and provide benefits from the Federal Columbia River Power System (FCRPS) to the residential and small farm loads of investor-owned utilities. With the growth in demand in the Pacific Northwest, BPA's generating resource supply is stretched very thin. More difficult decisions are certainly ahead for the region as we consider how fairly and equitably to share the resources of the FCRPS, including the question of how and whether BPA will serve the aluminum companies. We appreciate hearing from you and your constituents because it helps ensure that decisionmaking reflects the interests of those affected.

I trust this information responds to your constituent's concerns. If [redacted] has further questions, please have her contact our Washington Constituent Account Executive, Cindy Custer, at (360) 943-5375.

Sincerely,

A handwritten signature in cursive script, reading "Stephen J. Wright", is written over a horizontal line.

Stephen J. Wright  
Acting Administrator and  
Chief Executive Officer

# Congress of the United States

House of Representatives

Washington, DC 20515

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 01-0595
RECEIPT DATE: 10.01.01
DUE DATE: 10.15.01

Steve Wright  
Acting Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 9708

ASSIGN: ~~RR-7C~~

cc: A-7, D-7, KN/Wash, P-6, PT-5

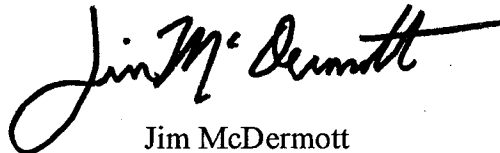
PAT/BART

Dear Mr. Wright,

Enclosed please find a copy of an e-mail from one of my constituents,  
concerning the Bonneville Power Administration.

I would very much appreciate your review of this material and would be pleased  
to have a response that I can forward to her. Thank you for your kind assistance in this  
matter.

Sincerely,



Jim McDermott  
Member of Congress

View e:\emailobj\200104\426203345.txt

From: Write your representative <writerep@www6.house.gov>  
 Date: 4/26/01 8:13:39 PM  
 To: wa07.wyr@housemail.house.gov  
 Subject: WriteRep Responses

Dear Representative McDermott and Staff:

I am writing to ask you for two things:

- 1) Please support Representative Tom Lantos' resolution to deny Beijing's bid for the 2008 Olympics. China has committed so many human rights violations against its citizens, it should not be allowed the honor of hosting the Olympics. The Olympics are important to China and to deny them may cause the government to think a bit about how to treat its own citizens.
  - 2) Please help the Bonneville Power Administration fend off lobbyists from the aluminum industry that want the BPA to continue feeding it cheap electricity. Sixty percent of the aluminum industry is located outside the Pacific Northwest and they do just fine without subsidized federal hydropower. Cutting them off would level the playing field and direct the benefits of the public hydropower system to public utilities and rural co-ops, as the Northwest Power Act dictates.
- Cutting the aluminum industry off will also result in more jobs saved, as the entire economy will benefit from reduced energy prices and not just one single industry. I for one would be happy to pay more aluminum products if it meant the less corporate welfare and more water for fish. Thanks for listening!

==== Original Formatted Message Starts Here =====

TE: April 26, 2001 7:38 PM

NAME:

ADDR1:

ADDR2:

ADDR3:

CITY: :

STATE:

ZIP: :

PHONE:

EMAIL:

msg:

Dear Representative McDermott and Staff:

I am writing to ask you for two things:

- 1) Please support Representative Tom Lantos' resolution to deny Beijing's bid for the 2008 Olympics. China has committed so many human rights violations against its citizens, it should not be allowed the honor of hosting the Olympics. The Olympics are important to China and to deny them may cause the government to think a bit about how to treat its own citizens.
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## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

EXECUTIVE OFFICE

October 22, 2001

In reply refer to: KR-7C

The Honorable Greg Walden  
Medford District Office  
843 East Main Street, Suite 400  
Medford, OR 97504

Dear Representative Walden:

Thank you for your letter of September 13, 2001, recommending that Bonneville Power Administration (BPA) fund the proposed Holliday Ranch project through our fish and wildlife program.

As you note, the Independent Scientific Review Panel has recommended this project for funding. I assure you that we are looking at it carefully, and BPA staff has been working with to develop the details of his proposal. Although, the Northwest Power Planning Council (Council) is currently considering the project under its Columbia Plateau Provincial Review, BPA plans to implement the Holliday Ranch proposal under the High Priority solicitation process. BPA staff are currently in the process of negotiating the terms and conditions of a conservation easement.

I appreciate your interest and support of our fish and wildlife mitigation efforts. If I can be of any more assistance, please contact me or have your staff contact Mr. Robert Austin, Deputy Manager for Fish and Wildlife, at 503-230-4748.

Sincerely,

A handwritten signature in cursive script, reading "Stephen J. Wright".

Stephen J. Wright  
Acting Administrator and  
Chief Executive Officer

cc:

The Honorable Greg Walden  
U.S. House of Representatives  
Washington, DC 20515

COMMITTEES:

**ENERGY AND COMMERCE**

ENERGY AND AIR QUALITY

COMMERCE, TRADE, AND CONSUMER  
PROTECTION

ENVIRONMENT AND HAZARDOUS  
MATERIALS

**RESOURCES**

WATER AND POWER



**Congress of the United States**  
**House of Representatives**

September 13, 2001

Mr. Stephen Wright  
Acting Administrator  
Bonneville Power Administration  
905 Northeast 11th Avenue  
PO Box 3621  
Portland, Oregon 97208

Dear Mr. Wright:

I have been working with \_\_\_\_\_ of Clyde Holliday Family Ranches, Inc. regarding an Oregon Department of Fish and Wildlife sponsored project involving his ranch.

This project, which is described in the enclosed summary, has been through two funding cycles. Thus far, it has gone unfunded, even though it has received funding approval as well as High Priority status.

I would like to recommend that this project be funded during the upcoming funding cycle. It is a win-win for both the environment as well as the landowners. Any further delay in funding could jeopardize the project in the future.

Thank you for your time and consideration of this request. You may respond to me at my district office in Medford, Oregon.

Sincerely,

Greg Walden  
Member of Congress

GW/ms

Enclosure

GREG WALDEN  
2D DISTRICT, OREGON  
ASSISTANT MAJORITY WHIP

WASHINGTON, DC OFFICE:  
1404 LONGWORTH BUILDING  
WASHINGTON, DC 20515-3702  
TELEPHONE: (202) 225-6730

DISTRICT OFFICES:  
843 EAST MAIN STREET  
SUITE 400  
MEDFORD, OR 97504  
TELEPHONE: (541) 776-4646  
TOLL FREE: (800) 533-3303

JAMISON BUILDING  
SUITE 211  
131 NW HAWTHORNE STREET  
BEND, OR 97701  
TELEPHONE: (541) 389-4408

WEBSITE:  
<http://www.walden.house.gov>

E-MAIL:  
[greg.walden@mail.house.gov](mailto:greg.walden@mail.house.gov)

RECEIVED BY BPA ADMINISTRATOR'S OFC-LOG #: 01-0581
RECEIPT DATE: 9.19.01
DUE DATE: 10.3.01

ASSIGN: KR-7C

cc: A-7, D-7, KN/Wash, P-6, PG-5,  
PGF-6, KE-4, KEW-4

Bart / Pat

*Wait -  
Have you  
checked on  
this  
recently?*

**Project ID: 25086**

Purchase Perpetual Conservation Easement on Holliday Ranch and Crown Ranch Riparian Corridors and Uplands

Sponsor: ODFW

Subbasin: John Day

2002 Request: \$5,459,520

3YR Estimate: \$5,485,320

**Short Description:** Fence 17.7 miles of mainstem John Day River and tributaries, and protect 15,532 acres of uplands two miles east of John Day, Oregon under perpetual conservation easement to improve habitat and protect steelhead spawning grounds and big game winter range.

**ISRP Recommendation:** Fundable

**CBFWA Recommendation:** BPA Crediting? - High Priority

**ISRP Comparison with CBFWA:** Agree - Fundable, High Priority

**ISRP Final Comments:**

Fundable. High priority. This project received an "A" category and was recommended for funding without reservation. The site visit confirmed and enhanced the conclusion that this acquisition provides many benefits to fish and wildlife. In addition to the conservation benefits described in the proposal, this project provides an excellent example of the types of win-win solutions to restoration problems that are possible through good working relations with landowners, and through the development of incentives that make sense both in terms of conservation goals and the economic goals of the landowner. The project is a complicated mix of actions and incentives that make both biological and economic sense. This project will achieve far-reaching demonstration benefits to other landowners of the positive outcomes possible from restoration actions. There is a limited window of opportunity to for this project, dependent on the time period of the option to buy. Delay in funding will risk the project. The costs of not funding this project could be realized not only in conservation and restoration terms, but also in the erosion of trust and working relationships between landowners and agencies responsible for resource recovery actions.

Additional information about the complexity of this project and its potential benefits were provided during the site visit. The proposal should be modified to adequately represent the complexity of the project and the magnitude of potential benefits. The ISRP visited the Holliday Ranch as part of the Columbia Plateau South Site Visit on 8 May 2001. We were able to see the many conservation actions the landowners have undertaken with assistance from regional resource managers. On-site discussions with the land owners and resource managers from ODFW, CTWSR, and SWCD were informative and provided insights into the biological benefits, as well as the important aspect of local landowner-resource manager relationship benefits that would be gained from implementation of the Holliday Ranch perpetual easement. Many ranchers in the area are familiar with the Holliday Ranch and its conservation activities and are waiting and watching the process before deciding whether or not they will participate in similar programs.

Of particular note in the project, but not described in the proposal, is the large grazing allotment (~700 AUMs) that the Holliday family presently uses on forested public lands in the lower reaches of the Strawberry Mountains, an area adjacent to a wilderness area. The family's initial motivation for seeking the perpetual easement was to reduce their use of and reliance on the grazing allotment by 80% in exchange for purchase of the Crown Ranch property, which would provide them with summer pasture lands for their cattle operation. This portion of the easement agreement was not described in the proposal, but the ISRP feels it is an important part of the entire easement package.

The Holliday Ranch project also provides a number of other conservation contributions that include:

- a. Self-contained cattle feedlot operation that passively captures and processes all waste materials.
- b. A series of groundwater drains that improve efficiency of the cattle operation while simultaneously delivering significant amounts of cooler-than-ambient summer water. This contribution should significantly improve water quality and extend spring chinook spawning and rearing habitat in the mainstem John Day River.
- c. Installation of 3-4 instream irrigation diversion structures designed and installed by the landowner. We observed this unique diversion structure that is used in place of push-up dams to provide the landowner

with reliable irrigation diversion. The structure provides natural upstream and downstream passage conditions for adult and juvenile salmonids.

d. Historically, the Crown Ranch (now owned by the                      family) and the Holliday Ranch were owned by ancestors of the present                      family. The holdings, which involved several pieces of land, were physically split into the Crown and Holliday Ranches. A map of the two ranches today (not provided with proposal) would show a checkerboard appearance across the landscape. Combining the two ranches as proposed in the perpetual easement agreement would consolidate the various pieces into a single land unit enhancing its management for both agricultural and conservation goals.

e. Maintenance of fences for protections of riparian zones would be the responsibility of the Holiday Ranch.

**CBFWA Review Comments:**

*Conversion of a USFS grazing allotment to nonuse is now included in the proposal and the estimated cost of conversion is not known at this time. Although this will not affect the FY2002 budget the outyear budgets may increase.*